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WORLD NEWS

£3m invoice to Guinness 'was false'

Sir Jack Lyons, the millionaire financier, arranged for a false £3m invoice to be sent to Guinness to enable him to collect a "concealed pay-off" for his part in a share support operation, it was alleged at Southwark Crown Court.

The new jury in the Guinness trial was also told that companies controlled by S&W Berisford group chairman Ephraim Margulies had been paid £3.5m for supporting Guinness. Page 22

Radiation check plan

The National Radiological Protection Board, the government watchdog on public exposure to radiation, urged the Department of Health to authorise an investigation of the medical records of over 100,000 people who have worked with radioactivity in Britain since the 1940s. Page 22; Leukaemia link, Page 4

60 killed in Beirut

At least 60 people were killed and 200 wounded yesterday in the worst day of fighting in the 17-day-old conflict between Christian factions in Lebanon.

Troops loyal to General Michel Aoun used tanks, artillery and rockets against the East Beirut stronghold of rival Lebanese forces led by Samir Geagea. Page 2

Romanian resignation

Romanian Defence Minister Nicolae Militaru, criticised for trying to disrupt the popular revolution two months ago, resigned.

Kenyan minister killed

The burnt body of Kenya's Foreign Minister Robert Ouko was found near his farm. Foul play was suspected. Page 3

Navy wives protest

Royal Navy wives carrying a banner showing a broken heart and the slogan "Broken marriages – Who's to blame?" marched in protest at Portsmouth against the decision to allow Wrens to go to sea with their husbands.

Cemetery sale ruling

Westminster council had no power to sell three cemeteries for 15p in 1987, said district auditor John Magill, but there was no case for surcharging any councillor or official. He said he was minded to apply to the High Court for a declaration that the sales were unlawful. Page 5

Bomb blast injures 48

A bomb blast in a lecture theatre of Louvain university, Belgium, injured 48 medical students.

Explosives conviction

A Belfast man, Leonard Hardy, man was found guilty of possessing explosives at the port of Rosslare by the Irish Republic's anti-terrorist Special Criminal Court in Dublin. A woman arrested with him was found not guilty.

Kerb-crawler bill backed

Streatham MP Sir William Shelton's Sexual Offences Bill, to make it easier for police to secure convictions against kerb-crawlers and to increase the maximum penalty from £400 to £1,000 passed its second reading unopposed.

Ski resort warning

British skiers planning to visit French resorts were warned by the Foreign Office to consult tour operators before leaving because heavy snow has made some areas inaccessible.

Liverpool stadium plan

Liverpool city council and Stadium Mersey announced plans for a £125m, 67,000-seat stadium near Aintree. They hope to persuade the Liverpool and Everton clubs to play there.

Bishop dies

The Bishop of Hereford, the Rt Rev John Eastaugh, died of cancer, aged 69. He was due to retire in August.

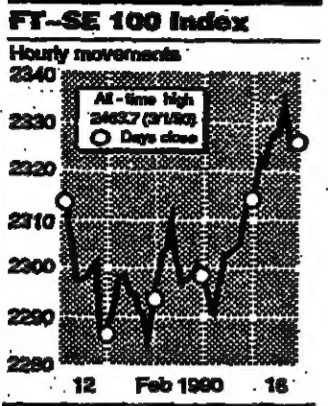
BUSINESS SUMMARY

US deficit trimmed to five-year low

A steep fall in imports produced a sharply improved US merchandise trade balance in December. The deficit fell to $7.2bn (£4.2bn), compared with $10.3bn in November, leaving the gap at its lowest for five years both for the month and the whole year.

The figure mainly reflected a slowdown in US industrial activity and the announcement of a further 1.2 per cent fall in output in January dampened the reception of the figures in the financial markets. Page 22; London stocks, Page 13; World stocks, Page 19

FT–SE 100 Index



FT-SE 100 closed at 2,325.9, a gain of 12.1 on the day and an increase of 12.3 on the week. The recovery of confidence has continued in spite of disappointing statistics on domestic inflation and the Drexel problems. London stocks, Page 13; Lex, Page 22

UNION BANK of Switzerland's troubled London operations have received another blow with the resignation of Keith Percy, executive chairman of the successful pension fund management subsidiary, Phillips & Drew Fund Management. Page 4

ROYAL BANK of Scotland has bought BankWorcester, small US bank based in Massachusetts, for $149m (£88m) and a 19.9 per cent stake in Banco de Comercio e Industria, privately owned commercial bank in Portugal, for £48.8m. Page 8

BOND Corporation International, Hong Kong listed subsidiary of Bond Corporation Holdings, is to sell its controlling stake in Compania de Telefonos de Chile, the Chilean telecommunications utility, to Telefonica of Spain for US$391m (£231m). Page 10

GRAND METROPOLITAN is to sell 220 leased pubs to Control Securities, the property and leisure group. Page 8

EXPORTS: Western allies have agreed in principle to ease curbs on roughly half the volume of high-technology goods now vetted for the Warsaw Pact under the West's strategic export controls. Page 2

LANVIN, French fashion and perfume business, has been taken over by the Vuitton family. Midland Bank of the UK sold its 95 per cent stake in the group for between FFr400m (£41m) and FFr500m to Orcofi, a holding company owned by the family. Page 10

NORFOLK CAPITAL Group has set out its reasons for rejecting Queens Moat Houses £177m all-share offer for the hotels group. Page 8; Lex, Page 22

CITIC: The HK$7bn (£529m) syndicated loan arranged by Barclays to finance the acquisition by the Peking-controlled China International Trust and Investment Corporation (Citic) of a 20 per cent stake in Hongkong Telecommunications has been successfully underwritten. Page 10; Lex, Page 22

MERCURY Asset Management plans to buy in shares from its shareholders and to pay them a dividend for the year to end-March which is 50 per cent higher than last time. Page 8; Lex, Page 22

NATIONWIDE ANGLIA has raised its mortgage rate by 0.9 percentage point to 15.4 per cent with effect from March 1. Page 4

Major's options limited by budget surplus figures

By Simon Holberton, Economics Staff

THE GOVERNMENT's budget surplus may have halved this financial year, further restricting the scope for tax cuts and increased public spending in the run-up to the next general election, official figures indicated yesterday.

At the same time, the Government's continuing concern over inflation was underlined by Central Statistical Office figures showing a 0.6 per cent rise in prices in January to take the annual rate of inflation to a higher-than-expected annual 7.7 per cent.

City economists now expect inflation to rise above 8 per cent in the spring before it begins to fall slowly. If, in his March 20 Budget, Mr John Major, the Chancellor, raises duties on tobacco and alcoholic drinks in line with past price movements, the annual rate of inflation could rise in the spring to about 8½ per cent.

Figures released by the Treasury yesterday showed that the budget surplus in the first 10 months of the 1989/90 financial year was £8.7bn, compared with a surplus of £15.7bn this time last year.

A combination of increased spending, a lower-than-expected growth in corporate tax revenues and a series of "one off" drains on the Exchequer has led economists to expect the surplus to total about £7.5bn this financial year.

This would undershoot by almost half the £14bn surplus forecast by the Treasury in last year's March Budget.

The Treasury said that the Chancellor had warned that the surplus would be lower than previously expected. It added that the Government never planned to maintain a surplus indefinitely.

Many in London's financial markets believe Mr Major will present a Budget which neither increases nor lowers the burden of taxation in the 1990/91 year. In that event, Mr Major would be budgeting for a surplus similar to this year's expected £7bn to £8bn.

Pressures on the Exchequer for higher levels of public spending are already beginning to grow. The Treasury and ministers in charge of big spending departments are bracing themselves for extremely difficult negotiations.

The Treasury conceded an extra £5bn of public spending for the coming year last autumn but it provided for little growth in spending in the years after. Ministers in charge of the departments of the Environment, Education, Health and Transport are looking for extra funds to ease the passage of unpopular policies and provide for additional improvements to public services.

In January there was a public sector borrowing requirement surplus of £5.2bn – £1bn lower than in January 1989. This was accounted for by a fall in corporation tax receipts. The cumulative surplus, excluding privatisation receipts, was £5.1bn, compared with £9.7bn for the same period of 1988/89.

Total tax revenues were 5½ per cent higher in the 10 months to January than in the same period a year ago, while Government expenditure was 8½ per cent higher.

Background, Page 4; Borrowers strained, Page 7; London stock exchange, Page 13; Lex, Page 22

French court orders Eurotunnel to pay £62m to consortium

'Personalities damage tunnel project'

By Andrew Taylor in Paris

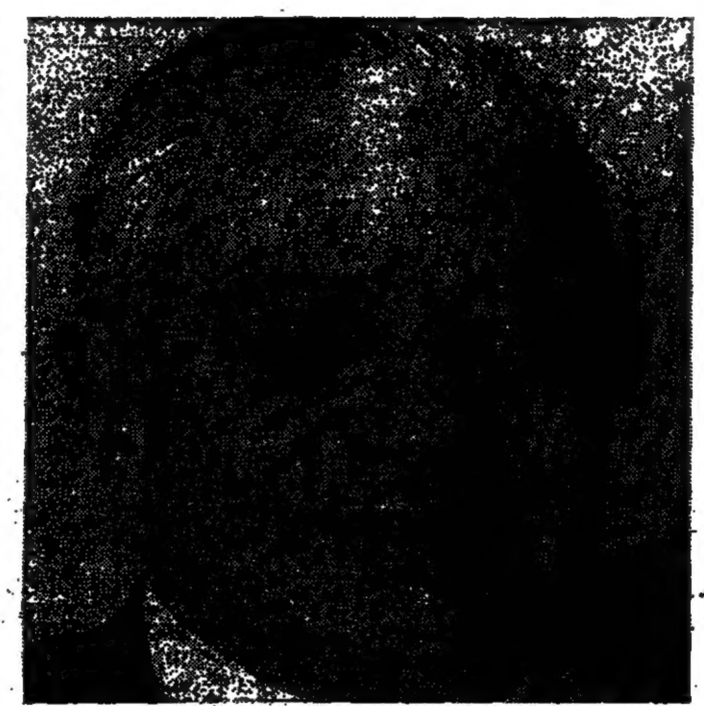
PERSONALITY clashes in the consortium building Eurotunnel are damaging the project, admitted Mr Andre Benard, the French co-chairman of Eurotunnel, yesterday.

Asked if the project was on the point of collapse, Mr Benard said: "It is not in my hands – it is in the hands of the contractors. There is no sound reason for the project to collapse. I do not think it is sensible to put at risk a project of this magnitude for what appears to be matters of personality rather than fundamental ones."

Mr Benard's remarks, in an interview with the Financial Times in Paris, came as a French court ordered Eurotunnel to pay FFr600m (£62.1m) to Transmanche Link, the construction consortium. The contractors are claiming the non-payment of money due to them this month. Eurotunnel intends to appeal against the court's decision.

The hearing at Nanterre, near Paris, is the latest step in a row between Eurotunnel and the contractors which is threatening to halt work on the project.

Mr Benard sought to defuse the escalating row between the group and its contractors over the role of Mr Alastair Morton. He said that the appointment of Mr Morton as Eurotunnel's chief executive would distance the British executive from day-to-day involvement in the management of the construction contract.



Mr Benard in Paris yesterday: 'not sensible to put at risk a project of this magnitude for matters of personality'

"This was the board's intention and it was Mr Morton's intention when we made these management changes.

"We all recognised that the personality clashes between Mr Morton and the contractors was damaging the project," said Mr Benard, who is to become chairman of Eurotunnel while Mr Morton, now co-chairman, becomes deputy chairman. British and French contractors are refusing to sign an amended construction agreement, which would allow Eurotunnel to draw down £400m of temporary finance negotiated with its bankers last month, in protest at Mr Morton's appointment as chief executive.

Mr Benard confirmed that the Bank of England was "keeping a watchful eye" over the project and "it cannot be indifferent to what is happening now." Bank lenders are expressing growing frustration at the continual battles between Eurotunnel and the contractors, which they see as endangering the project.

Some bankers see Mr Morton's combative style and brinkmanship as part of the problem, although he also has strong supporters among other bankers.

Mr Benard said the construction companies had misunderstood the intention behind the management changes. "We have not ignored the contractors' concern. We understand full well we cannot go on with this sort of antagonistic attitude.

"But there are people among the contractors with even bigger egos than in Eurotunnel," he said.

However, Mr Benard said the

Continued on Page 22
Lex, Page 22

Drexel axes 5,000 US staff as UK administrators are appointed

By Janet Bush in New York and David Waller in London

MOST OF Drexel Burnham Lambert's US staff of about 5,000 were made redundant yesterday, including the 400-strong junk bond trading team based in Beverley Hills, California.

The Wall Street investment bank filed for protection under Chapter 11 of US bankruptcy law on Tuesday.

Employees at Drexel's Manhattan headquarters were told the news yesterday when they arrived for work.

It was unclear last night whether they would get their last week's pay cheques, when they would be asked to leave the building and whether there were any severance arrangements.

Drexel's troubles, meanwhile, yesterday spilt across the Atlantic as administrators were appointed to wind up the firm's UK securities, commodities and futures operations.

Two partners in KPMG Peat, Marwick McLintock, the accountancy firm, were yesterday appointed as administrators to three UK-based Drexel subsidiaries, following a petition to the High Court from the directors of Drexel's UK Holding company.

Mr Tim Hayward, Peat Marwick's senior corporate recovery partner, said the jobs of more than 300 of Drexel's 377 London employees were at risk.

In the US, Drexel is expected to keep on only a skeleton staff to complete the liquidation of its securities holdings, the sale of its remaining businesses and the transfer of accounts.

The company was yesterday in negotiation with Wall Street competitor Shearson Lehman Hutton which was widely expected to take over about 28,000 brokerage accounts from Drexel with total assets of about $5bn (£3bn).

If the deal goes through, Shearson would not pay anything to take over the accounts – which are mostly held by individuals – but instead would be paid a fee by Drexel for the transfer costs.

Drexel's remaining brokerage accounts were expected to be transferred to Smith Barney Harris Upham, which bought most of Drexel's retail brokerage network last year. However, it appears that Smith Barney may have baulked at taking over all the rest of the accounts.

In London, the court-appointed accountants, joined by officials from a number of self-regulatory bodies, will spend the weekend at Drexel's City offices considering how best to wind down trading activities.

Mr Hayward said the future viability of the Drexel companies depended to a large extent on the recoverability of monies owed by the US parent.

The parent company appeared to owe its UK subsidiaries "tens of millions of pounds," he said. It was too early to say precisely how much money was involved, or whether it was recoverable. "If these monies were repaid in a short period of time, it might be that there is an opportunity to rehabilitate the companies." Otherwise, the appointment of a liquidator was the only

Continued on Page 22
Icy wind from Drexel cools GBL, Page 10

ANC to seek talks with de Klerk

By Mike Hall in Lusaka and Patti Waldmeir in Johannesburg

THE African National Congress yesterday took a step towards starting constitutional talks with the South African Government, announcing it would seek an early meeting with President F. W. de Klerk, to remove obstacles to negotiations.

In its first formal response to recent political reforms, which have included the release of Mr Nelson Mandela, the ANC leader, the organisation's 35-member national executive committee adopted a conciliatory tone towards Pretoria.

The executive emphasised its eagerness to send exiles home and re-establish the ANC within South Africa.

Pretoria is likely to respond favourably to this overture, which came at the end of a three-day meeting at the ANC's headquarters in Zambia.

The moves appeared to be an attempt to regain the political initiative from Pretoria. Disputes provoked within the ANC by the unexpectedly rapid pace of reform appear to have been resolved, at least for the moment.

The executive welcomed the legalisation of the ANC and South African Communist Party.

However, Pretoria had still not created conditions for an immediate start to formal talks, the executive said. Negotiations could only begin once all political prisoners and detainees had been released, the three-year state of emergency lifted, "repressive" legislation repealed, political trials halted and troops removed from black townships.

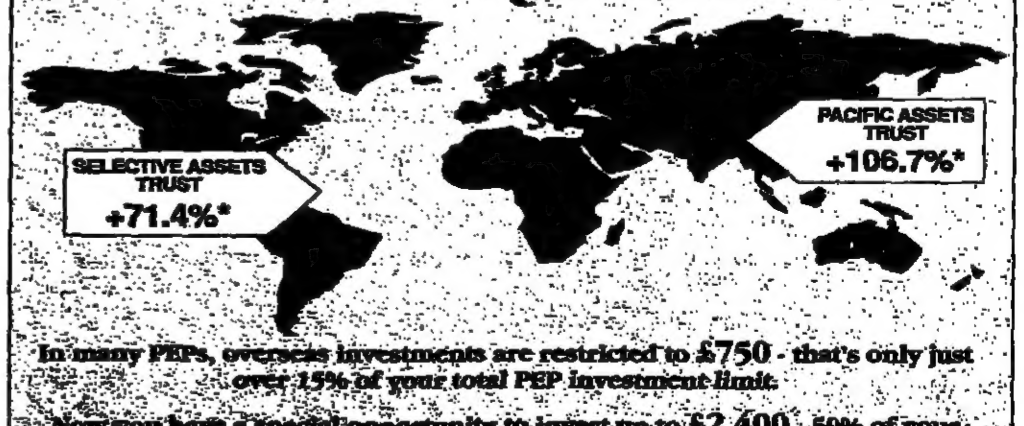
The ANC said it would meet Mr de Klerk as soon as possible "to discuss with him the need to address these issues so that a climate conducive to negotiations is created."

Exiled members of the ANC would be part of the delegation to meet Mr de Klerk, the statement said. It was not clear whether Mr Mandela would be included; but since his release, the ANC leader has indicated he is willing to renew contacts with Mr de Klerk begun before he left prison.

The statement made no reference to Mr Mandela's future role in the leadership. Officials said the issue was discussed, and it was considered possible that Mr Oliver Tambo, the ailing ANC leader, might cede the presidency to Mr Mandela.

Mandela's power, Page 7

Weekend FT



MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime:	New York lunchtime:	FT-SE 100:
$1.696	DM1.6775	2,325.9 (+12.1)
London:	FFr5.701	FT Ordinary:
$1.6955 (1.6935)	SFr1.491	1,836.6 (+7.1)
DM2.845 (2.845)	Y144.025	FT-A All-Share:
FFr9.6725 (9.675)	London:	1,159.33 (+0.4%)
SFr2.5325 (2.53)	DM1.6785 (1.6805)	New York lunchtime:
Y244.25 (244.5)	FFr5.705 (5.7125)	DJ Ind. Av.
£ index 89.7 (89.6)	SFr1.493 (1.4945)	2,654.95 (+5.40)
GOLD	Y(144.1)	S&P Comp
New York: Comex Apr	$ index 67.1 (same)	335.16 (+0.27)
$421.0 (416.2)	Tokyo close: Y144.55	Tokyo: Nikkei
London:	US LUNCHTIME RATES	37,460.32 (−11.67)
$417.75 (415.75)	Fed Funds $8\frac{1}{16}$%	LONDON MONEY
N SEA OIL (Argus)	3-mo Treasury Bills:	3-month interbank:
Brent 15-day Apr	yield: 7.92%	closing $15\frac{3}{32}$ ($15\frac{1}{8}$)
$19.625 (19.65)	Long Bond:	Liffe long gilt future:
	$100\frac{13}{32}$	Mar $88\frac{9}{32}$ ($88\frac{21}{32}$)
Chief price changes yesterday: Page 22	yield: 8.45%	

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Western allies to relax curbs on high-tech sales

By William Dawkins in Paris

THE Western allies have agreed in principle to ease curbs on roughly half the volume of high-technology goods now vetted for the Warsaw Pact under the West's 40-year-old strategic export controls.

The agreement to relax controls by next summer was reached by senior trade officials of CoCom, the 17-nation Co-ordinating Committee for Multilateral Export Controls and is a first step to an even wider review of strategic export controls. It has "shaken the foundations of this conservative organisation," said an official.

CoCom members have agreed to finalise plans by May to scrap controls on exports of 32-bit microcomputers, high-tolerance machine tools, some kinds of telecommunications switching equipment and cables. Officials expect these to get the final blessing in June or July at CoCom's annual top decision-making meeting.

They gave the go-ahead at the same time to a study of the possible liberalisation of other products on the CoCom list, such as civil aircraft, measuring equipment and other electronics goods, to be tabled for initial discussion at the next high-level meeting. Officials would then decide on those proposals for the next round of product liberalisation, for clearance later.

Meanwhile, eastern European countries are to be offered special treatment if they convince CoCom they can stop Western technology being re-exported to the Soviet Union, still accepted as more of a strategic threat than its neighbours.

Finally, the most immediate, but least important part of the accord will bring an instant reduction from 12 weeks to eight weeks in the time CoCom needs to process so called "exception" applications to export goods on its controlled list.

CoCom exists to stop sales of militarily useful technology to the Soviet Union, its allies and China, but has been under intense pressure from West Germany and other European allies to loosen controls in line with the enormous changes in eastern Europe. The liberalisation plans now under way will apply to exports to all members of the Warsaw pact, including Moscow, except the offer of special treatment for eastern Europeans.

CoCom members, which include the Nato countries plus Australia and Japan but minus Iceland, have asked national experts to start work next week on defining precisely what kinds of microcomputers, machine tools and telecommunications equipment to liberalise. US officials estimate that these three categories account for roughly half of the 1,500 applications for exceptions to CoCom export controls processed by the organisation every year.

CoCom officials are to visit Poland, Hungary and Czechoslovakia in the next few months, to help them set up their own technology export controls. These are the first to offer to set up such a policing system. They will be expected to provide certificates guaranteeing that final users of technology goods are bona fide, and to allow Western experts to check customers' premises.

Polish debt rescheduling deal

By Stephen Fidler, Euromarkets Correspondent

WESTERN creditor governments, in a move aimed to support Poland's attempt to reform its economy, have agreed this week that Poland should pay neither interest nor capital of its debts to them until March 1991.

They also called for Poland's commercial bank lenders to make similar concessions and postpone all interest payments due to them this year.

The governments, meeting under the auspices of the Paris Club, agreed to reschedule the payments due in 1990 and the first quarter of 1991 for 14 years, with an eight-year grace period before repayments.

In a further concession, the governments agreed to reschedule $3.4bn of the arrears built up by Poland with Paris Club members before the end of last year. The total rescheduled comes to $9.4bn, according to Paris Club officials.

The agreement is an interim measure before Poland's foreign debt problem can be addressed more broadly.

A special team of Western officials has been established to study Poland's debt programme, with a technical committee also studying the vexed question of "burden-sharing" among the creditor groups.

Western officials concede that the country is unlikely ever to pay off its $41bn foreign debt burden, of which most is owed to governments and only about $9bn owed to commercial banks.

However, they are unwilling to make public concessions of debt forgiveness for Poland for fear it will trigger requests for similar treatment from other debtor countries. "Poland will be a one-off," said one government official.

Poland is expected to begin talks late in the year on a possible deal to reduce its bank debts, under the new international debt initiative launched in March last year.

But some banks are baulking at the prospect, given that the Paris Club has so far not agreed to forgive any of its debts.

NEWS IN BRIEF

Inter-Christian fighting kills 60 in Lebanon

AT LEAST 60 people were killed and 200 wounded yesterday in the worst day of fighting in the 17-day-old conflict between Christian factions in Lebanon, Reuter reports from Beirut.

Troops loyal to General Michel Aoun used tanks, artillery and rockets against the East Beirut stronghold of the rival Lebanese Forces led by Sumir Geagea.

The fighting was so intense that many casualties were trapped in buildings, while hospitals, desperately short of blood, oxygen and bandages, moved the wounded into cramped basement wards for safety. At least 586 people have been killed and 2,000 wounded since fighting erupted on January 31.

Nujoma chosen for Namibia

Namibia's constituent assembly yesterday unanimously elected veteran nationalist leader Sam Nujoma to become the country's first president after independence from South Africa on March 21, Reuters reports from Windhoek.

Nujoma, who led the Swapo nationalist movement in a 23-year guerrilla war, has named 48-year-old Hage Geingob, a US-educated assembly chairman, as Prime Minister.

Two members of Namibia's 80,000-strong white minority will be in the cabinet.

Nujoma: president-to-be

Pledge on guilder link in EMS

The Dutch guilder will remain tied to the strongest currency in the European Monetary System (EMS), according to Mr Wim Kok, Dutch Finance Minister, Reuter reports from Amsterdam.

In a letter to Parliament he said: "Dutch policy will continue to aim at the strongest currency on fundamentals within the European Monetary System. Provided the fight against inflation remains the top priority in West Germany, this means maintaining the fixed link between the guilder and the Deutsche Mark."

The Netherlands has been considering dropping the link with the D-Mark for fear of imported inflation resulting from German monetary union.

Fiat's hopes for Poland

The Italian car-maker Fiat says it has moved closer to winning a highly-contested contract to build a new generation of cars in Poland, Reuter reports from Warsaw. In a joint communiqué with the state-owned Polish carmaker FSO, Fiat said it had agreed to conduct a feasibility study into producing a Tipo-type hatchback at FSO's Warsaw factory, and that an agreement could be signed by July or August.

Czechoslovakia withdrawal

Soviet troops will start leaving Czechoslovakia on February 26, the Communist Party trade union daily Prace said yesterday, Reuter reports from Prague.

A substantial part of the 75,000-strong force would be withdrawn by May 31.

Indian airline head quits

The head of Indian Airlines has resigned following the crash of an Airbus Industrie A320 in which 90 people died, Reuter reports from Bangalore.

Mr Raghunandan Prasad resigned to take moral responsibility for Wednesday's crash. Mr P.C. Sen, a joint secretary in the civil aviation ministry, has been asked to take over as the airline's acting chairman and managing director.

Unrest on Brazil markets

Fears of a new surge in inflation and a possible moratorium on Brazil's internal government debt have brought near panic to the country's gold, black dollar and stock markets, Ivo Dawnay reports from Rio de Janeiro.

As business opened yesterday, the dollar stood at New Cruzados 63, up from NCz38 at the beginning of the month, giving a margin of over 150 per cent on the official exchange rate. Gold hit NCz793 and the Sao Paulo stockmarket rose by 10 per cent in record trading as investors scurried for secure assets.

Moscow sees gains in new DM

By Peter Riddell, US Editor, in Washington

THE Soviet Union is supporting moves for a monetary union between East and West Germany with a single currency because it could mean that hard currency D-Marks might flow to Moscow as payment for its large exports to East Germany.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, made this plain in talks with western officials and Canadian MPs during his four-day visit to Canada this week.

He emphasised that the Soviet Union would continue to have sizeable trade and economic ties with its east European neighbours.

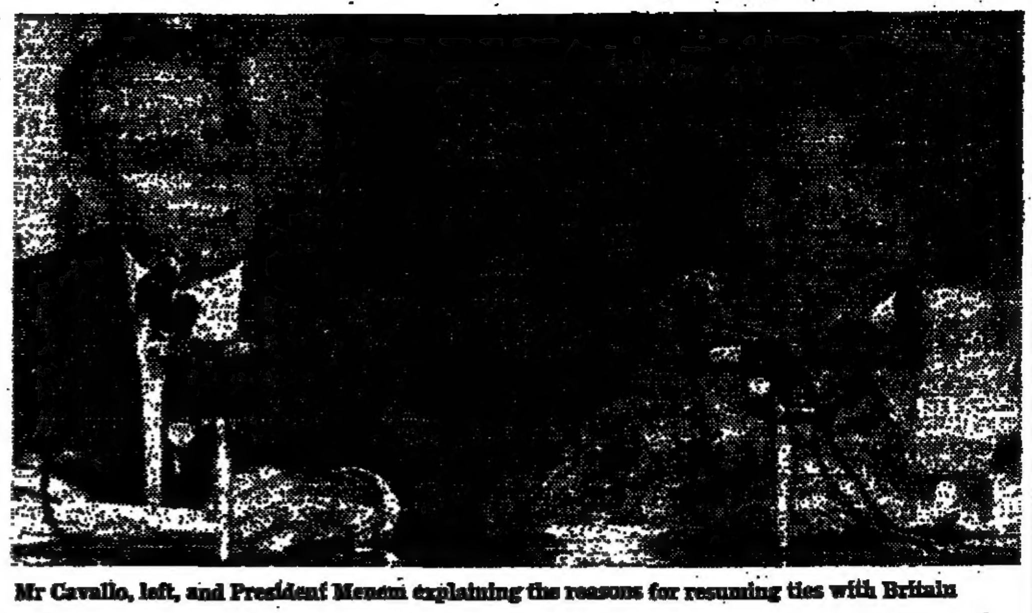
He welcomed the idea of a single currency for the two Germanys, noting that the Soviet Union was a big supplier of energy to East Germany, including 8bn cubic feet of natural gas a year. This supply will presumably continue, generating large sums in hard currency.

Mr Shevardnadze repeatedly pointed out the advantages of increased Soviet trade with Europe and North America. The Soviet Union was a huge market for machine tools and consumer products, he said.

Diplomatic rapprochement between Britain and Argentina

Success for Menem's Harvard man

By Gary Mead in Buenos Aires



Mr Cavallo, left, and President Menem explaining the reasons for resuming ties with Britain

THAT Britain and Argentina are once more on diplomatic speaking terms is due largely to the efforts of one man, Mr Domingo Cavallo. Argentina's 44-year-old Foreign Minister has produced what is perhaps the only concrete success of President Carlos Menem's Government, a shining apple in what is otherwise rapidly becoming a barrel of decaying fruit.

Mr Cavallo is that rare thing in Argentine politics, a modest individual who has not the faintest whiff of scandal attaching to either his personal or political life. When appointed Foreign Minister last July, as President Menem took office, he seemed a surprising choice.

His talents and experience were appropriate to a senior role, but in either the Economics Ministry or central bank. His Harvard PhD in economics, plus his administration of one of Argentina's best economic research institutes, the Fundacion Mediterranea, led to predictions that he would be employed by Mr Menem to sort out Argentina's endemic financial and economic problems. That may yet happen, now that relations with Britain have returned to some sort of normality.

But his spell at the Foreign Ministry suggests he should have a considerable future at the top of Argentina's political life.

He has earned the respect of foreign observers for his accessibility and modesty. But even more rare in Argentine politics is his preference for cautious progress rather than wildly extravagant gestures.

It is not paradoxical, in the polluted atmosphere of Argentine politics, that such merits win him few friends and many enemies. His determined effort to restore relations with Britain – for which he has been and undoubtedly will continue to be attacked for supposedly selling out over the issue of Falklands' sovereignty – has been driven by a common-sense pragmatism. Even with restored links, Argentina's paralysed economy may still linger in the doldrums.

But without renewed ties, Argentina would certainly have remained an outsider.

The only question remaining is whether Argentine political life is yet mature enough to thank Mr Cavallo for his considerable contribution both to calming tensions in the South Atlantic, and to bringing Argentina back into the club of serious nations.

Kohl resists push for EC monetary union

By David Marsh in Bonn and Kieran Cooke in Dublin

THE WEST German Government is determined to resist pressure from other European Community members, and notably France and Italy, to bring forward the European conference on monetary union planned for December.

Mr Kohl made plain his objections in a meeting with President François Mitterrand in Paris on Thursday evening, saying the suggestion could cause Bonn "enormous problems".

Agreement has, however, been reached for a special summit of the EC heads of government to be held in Dublin in April, after the March 18 East German elections, to discuss the implications of German unity.

There is considerable disquiet within the EC that the accelerating pace of German unity requires action to speed up plans for European monetary union. France and Italy agreed earlier this week to propose holding the European monetary conference in July. This clashes head-on with Bonn's well-known misgivings about pressing forward on European monetary union before the West German general elections in December.

Bonn officials said yesterday they saw no reason for a conference in July, as technical preparations would not be sufficiently advanced.

A much more important reason, however, as indicated by Mr Kohl in Paris, is that Bonn believes concrete proposals on European monetary union could damage the mainstream conservative vote in the October Bavarian state election, where there are fears of losing national sovereignty. Bonn believes it will also be so preoccupied with the initiative for bringing the D-Mark into East Germany that there will be no time to enlarge European monetary union plans.

Meanwhile, Mr Charles Haughey, the Irish Prime Minister, speaking in his capacity as current president of the European Council, said yesterday that since the last EC summit in Strasbourg in early December "the European situation has been changing rapidly and significantly".

Speaking about the special EC summit in April, Mr Haughey said it was important for Community leaders to have an early opportunity to discuss the evolving situation and respond to it. While he did not specifically mention German reunification, Irish officials made it clear that this will be the central topic at the summit. The idea of a summit to discuss German reunification was first mentioned in public by Mr Jacques Delors, the president of the European Commission, during proceedings in the European Parliament in Strasbourg earlier this week.

Irish officials, however, have emphasised that the Dublin Government had proposed a special summit some time ago. The idea had been discussed during talks Mr Haughey had with President Mitterrand earlier this month.

The Irish Government did not say exactly when in April the summit would be held. A further meeting of the EC heads of government is due to take place at the end of the Irish presidency in late June.

E Germany forced to curb nuclear power

By David Goodhart in Bonn

THE EAST German authorities have agreed to close down 50 per cent of their current nuclear power generating capacity in response to pressure over safety levels from West Germany.

Mr Klaus Töpfer, the West German Environment Minister, yesterday announced that one of the four Soviet-designed reactors at Greifswald, East Germany's only functioning nuclear plant, had already been closed and a second would follow, probably next month.

Fears over safety levels were heightened last month when it was disclosed that because of failures in the cooling system a melt-down was only narrowly averted at Greifswald in 1976.

Greifswald had been producing a little under 10 per cent of East Germany's electricity requirements.

Because of the pollution created by burning brown coal – responsible for most of the country's electricity generation – a complete withdrawal from nuclear power is unlikely.

One new reactor at Greifswald is almost ready to be connected to the grid and a further three are either being built or are planned. A larger 1,000 MW reactor has also been under construction at Stendal for 15 years and should be completed by 1995. It is likely that new nuclear capacity will conform to the higher West German safety standards.

Mr Töpfer said that the loss to the grid from closing the Greifswald reactors could be made up almost immediately with 800 MW from two Preussen Elektra power stations at Helmstedt near the East German border, which have the only existing direct link to the East German grid.

● East Germany's former ruling party, the SED, now has only 700,000 members, down from 2.3m at the beginning of last year, according to Mr Gregor Gysi, the new leader.

Most of the regional organisations of the East German Social Democrats, likely to be the biggest party after next month's free elections, have now agreed to ban former SED members who left the party after October 7 last year in order to avoid the accusation that the Social Democrats are the old SED in new clothing.

Group of 24 may offer more aid to Eastern Europe

By David Buchan in Brussels

THE Group of 24 western countries yesterday held out to five more east European countries the prospect of economic aid, provided the latter continue along the road to pluralist democracy and a free market.

The five countries – East Germany, Czechoslovakia, Bulgaria, Yugoslavia and Romania – all submitted formal aid demands yesterday to the meeting of senior officials of the Group of 24. This body, composed of EC and other industrialised nations such as the US and Japan, was created last year to help Poland and Hungary.

No formal decision to include the five in the full financial and technical programme now under way in Poland and Hungary is expected until ministers of the 24 meet here in June.

But in a concluding statement the officials indicated the aid would be forthcoming "in the light of [their] progress towards the implementation" of free multi-party elections, the rule of law and human rights, and market economies. Elections have been promised by the end of June in all five countries.

The most far-reaching requests were tabled by Yugoslavia. The Belgrade Government said it wanted $700m: $500m from the EC and more from Japan and the US.

'Thrift' rescue agency in US seeks to raise more finance

By Peter Riddell, US Editor in Washington

THE US Government agency responsible for rescuing the savings and loan industry intends to raise an additional $11bn in the current quarter as a first instalment towards a possible extra $40bn which may be needed this year in temporary financing.

This money is separate from the $50bn which Congress approved last year to cover the losses from rescuing and closing down hundreds of insolvent savings and loans, or thrifts in the largest rescue in US financial history.

The new money is needed as working capital or interim financing to meet the cost of making acquisitions and holding assets before they can be sold.

Administration officials have approved a plan by the Resolution Trust Corporation, which oversees the rescue, to raise an extra $11bn in the current quarter through the Federal Financing Bank, part of the Treasury.

Some $8bn will be carrying costs for property and other assets which cannot be sold, with the remaining $3bn being used to provide the government-run thrifts with lower cost money than could be raised in the market.

The extent of future such borrowing will depend on how many thrifts are under the corporation's management and how quickly they can be sold, but it is officially estimated that the total could be as much as $40bn during 1990.

In theory, this borrowing should in time be self-financing as assets are sold.

In addition, the administration may have to top up the $50bn already allocated for the losses in the rescue, which is expected to run out in the first half of next year.

The decision to raise money via the Treasury means that the temporary finance will be on-budget and push up the published deficit.

While the long-term budgetary treatment has not been decided, there will be no need for offsetting cuts in other programmes in the 1990 fiscal year under the Gramm-Rudman deficit reduction law since its procedures do not apply to money spent after the start of a year.

Moreover, officials are arguing for special treatment, or exemptions, under budgetary accounting since the working capital needs are expected to be temporary.

In theory, there could be big swings in the deficit numbers which could rise sharply in the immediate future as borrowing is boosted by the acquisition of assets and then fall as sales rise substantially.

● Federal Reserve Board Chairman Alan Greenspan goes before Congress next week to report on the condition of the US economy, nearly victorious in recent battles against inflation and recession, but a long way from winning the war.

Mr Greenspan is scheduled to testify on Tuesday before the House Banking Committee. The important testimony will be closely watched by financial markets because he will discuss Fed projections for economic growth and money supply and describe credit policy objectives.

The White House, which has often clashed with the independent central bank over interest rates, has praised Fed efforts. But administration officials have made it clear they would like more out of the economy than merely avoiding recession and they could be disappointed by Mr Greenspan on Tuesday.

Californian vote backs gun controls

By Louise Kehoe in San Francisco

CALIFORNIA legislators have passed sweeping gun control measures that would enforce a 15-day "cooling-down period" on purchasers of all types of guns sold in the state.

The vote represents a defeat for the politically powerful National Rifle Association. Supporters of the move claim it signals growing support for control of gun sales throughout the US.

The gun-control measure would make California the first state to extend to all firearms its current 15-day waiting period for purchasers of handguns. The wait would give authorities time to check records to see if a gun buyer has a record of crime or mental instability that would prohibit him from owning a gun.

The bill has been strongly opposed by the 3m-strong National Rifle Association. The NRA argues that gun controls infringe the constitutional right of citizens to bear arms.

There are, according to the NRA, 70m gun owners in the US. This means there is a gun in about every second household, it says.

In California, where gun controls are already among the most restrictive in the US, the NRA appears, however, to be losing public sympathy.

The new gun control bill, which has been passed by the State Senate and Assembly, will now go to Governor George Deukmejian for final approval. The governor has said he supports the waiting period, but wants to review the bill before signing it into law.

The NRA argues that gun controls infringe the constitutional right of citizens to bear arms.

Supporters said the waiting period would provide a cooling-off period that might prevent crimes of passion. Opponents claimed, however, that the waiting period imposed an unnecessary burden on gun buyers.

The gun control measure was introduced early last year in the wake of an incident in which a man shot dead five schoolchildren and injured 29 others at a school in Stockton, California, before turning a gun on himself.

New twist in Swedish crisis as Feldt quits

By Robert Taylor in Stockholm

NEGOTIATIONS were in progress last night on the possible formation of a new coalition government in Sweden between the Social Democrats and the small Centre Party.

The talks began after Mr Kjell-Olof Feldt, Sweden's Finance Minister, left politics, a further setback for the Social Democrats' credibility.

The sudden departure of the most powerful and colourful figure in Swedish politics, regarded as the architect of the country's economic revival in the 1980s, adds a further twist to the unfolding political drama.

Many of Mr Feldt's closest colleagues in the Ministry of Finance, who were crucial in the development of Sweden's liberal market strategy, also resigned yesterday, causing widespread dismay in Swedish business circles.

Mr Feldt was succeeded in the caretaker government by his assistant, 48-year-old Mr Odd Engström, who said he too would go when the next administration was formed. This would make him the shortest-serving Finance Minister in Swedish history.

The minority Social Democratic Government resigned on Thursday night after losing a vote in Parliament on its planned two-year wage freeze.

Many of Sweden's leading employers expressed regret at Mr Feldt's departure and paid tribute to his achievements. Over the past 12 months, Mr Feldt had grown increasingly exasperated at the failure of his cabinet colleagues and the country's union leaders to recognise Sweden's growing economic crisis and support financial austerity measures.

Mr Engström, who once declared that he intended in a few years to retire to Switzerland, where he would become a Jungian psychoanalyst, is seen as an able technocrat with no political ambition. Unlike Mr Feldt, he is a laconic and introverted figure who avoids the public gaze.

● A settlement was reached yesterday in Sweden's three-week-long bank dispute. The banks will re-open on Monday.

A staged pay agreement drawn up by mediators will mean a pay rise of 13 per cent for bank staff backdated to January 1, with a further small increase in October.

EC accuses US of Gatt 'war games'

By Lucy Kellaway in Brussels

THE European Community yesterday accused the US of destabilising world agriculture markets and of playing "war games" within the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt).

In a tirade against the US Farm Bill, Mr Ray MacSharry, the EC Farm Commissioner, said the US was introducing further restrictive measures in order to increase its negotiating leverage in the current round of Gatt talks in Geneva.

Relations between the two sides were already soured after an EC complaint a week ago that the US was dumping wheat on the North African market. The latest row over the Farm Bill is potentially more serious, and sets an unpromising background for the main Gatt negotiations in Uruguay in December. "We will not negotiate under threat," Mr MacSharry said.

The EC is angered by a provision in the bill that would allow farmers to shift from traditionally supported crops to others without losing their grants. It claims the result of the bill will be even higher US production, higher state subsidies and higher exports. The bill, unveiled last week, is expected to be through Congress this summer.

Mr MacSharry claimed the bill went against the US's own suggestions within Gatt. He also said that it conflicted with efforts by the EC to cut its support and farm programme – an assertion likely to be strongly contested by the US.

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OVERSEAS NEWS

Mandarin repairs the road to China

By John Elliott in Peking

SIR Alan Donald, Britain's ambassador in Peking, is looking forward to a change of life-style now that Hong Kong's Basic Law has been finalised and UK plans for the colony's democratic development announced.

A 58-year-old career diplomat and China expert who first came to Peking as a language student in 1955, he is at the peak of his career. But he is inevitably being personally linked with the UK's failure this week to win a better democracy deal for Hong Kong from China, in the wake of June's Tiananmen square crisis.

Sir Alan is no stranger to the long-running controversy surrounding Britain's handling of China over Hong Kong.

He is reputed to have angered Mrs Margaret Thatcher, when she wanted to attack China over the Hong Kong sovereignty issue some seven years ago, by warning: "You mustn't scream at the Chinese."

That story is sometimes recounted as a sign of Sir Alan's soft Sinologist centre. Experts however say he really meant: "Don't go in with all guns blazing when you don't know what you really expect to achieve." Either way that advice is believed not to have endeared him to Mrs Thatcher and only served to confirm her prejudice against the pliability of Foreign Office mandarins.

It is ironic that in recent weeks Sir Alan has been the man at the sharp end, implementing her six-month-old instruction to Whitehall that the Hong Kong issue should be removed from her desk.

The future of Hong Kong as it approaches its transfer to Chinese sovereignty is the dominant Sino-British diplomatic issue. It overwhelms everything else to such an extent that trying to talk to the British embassy in Peking is often rather like approaching a mission under siege.

Now Sir Alan and his staff are hoping for a change. On one front, diplomats believe that yesterday's events should mark a new and more co-operative relationship between Peking and Hong Kong, which will inevitably embrace the UK as well.

> He told Mrs Thatcher: "You mustn't scream at the Chinese."

On a personal level, Sir Alan must hope he is ending a long period as a daily high-level messenger-cum-negotiator in the Basic Law dealings between Britain and Peking. This work has involved him to an increasing degree since he arrived in Peking as ambassador in May 1988.

For the past month or so, he has had little time to deal with any other issues. He has had daily meetings at a senior level in the Foreign Ministry, with both sides exchanging speaking notes as formal letters. He has been swamped by telegrams with London, communications with Hong Kong, and other consultations.

There have also been lunches with officials such as Mr Li Hou, secretary general of the Basic Law Drafting Committee, whom Sir Alan is barred by China from meeting formally because Li Hou handles the "domestic" issue of Hong Kong and Sir Alan is a foreigner.

Born in Aberdeen and educated at Fettes College in Edinburgh and Trinity Hall, Cambridge, Sir Alan joined the Foreign Office's Far East Department in 1954 and briefly became a third secretary in Peking in 1956 after spending a year in the Chinese capital learning Mandarin.

He returned to Peking in 1964 and from 1974 to 1977 was political adviser to the governor of Hong Kong.

Before Peking Sir Alan was ambassador in Jakarta. A large, friendly man who is clearly happier in informal exchanges than in formal conversations, Sir Alan has many supporters among people who have worked with him. While he can at times such as this week look and sound like a weak Foreign Office Sinologist bent on appeasement with China, those who know him say he is a robust negotiator, especially when cornered – as he must often have felt in the past few weeks.

Let a single flower bloom, briefly

By John Elliott

FACED with a choice of three flags with either Chinese-style red or British-style red, white and blue backgrounds, the Peking-dominated drafting committee of Hong Kong's Basic Law yesterday chose the red version for the British colony to use after it returns to Chinese sovereignty in 1997.

The focal point is a white bauhinia flower, which is found across the hills of the south China coast, with a red star in each of its five petals. An official release said this was to "signify the love of all Hong Kong people for the motherland".

The bauhinia is described in a Hong Kong tourist guide as a "fragrant woody climber" which flowers in spring and summer. But a caller on a local radio phone-in programme this week remarked wryly that it had the reputation of only flowering for a day – a salutary note to strike as Hong Kong looks ahead to an uncertain future after 1997.

The other two designs show a bauhinia flower against red, white and blue backgrounds. They would have been an unlikely choice for China once it has ousted the British.

That was perhaps reflected in yesterday's committee meeting, when 34 votes went to the winning design and 15 to a design with more or less equally divided red, white and blue areas. Just one vote went to a flag with two thin white and blue vertical stripes, which looked like a Chinese adaptation of the French tricouleur.

The designs were prepared by an 11-member panel of mainland officials and Hong Kong artists. Last year the panel rejected 12 designs chosen from over 7,000 entries submitted by the general public.

Chinese Hong Kong flag: signifying love of the motherland

Kenyan minister's body found

By Julian Ozanne in Nairobi

THE charred remains of the Kenyan Foreign Minister, Dr Robert Ouko, who had been missing for three days, were found yesterday in a sugar cane plantation near his home in western Kenya.

Mr Ouko had apparently been murdered and his body set alight. President Daniel arap Moi said Mr Ouko's partly-burnt body was discovered four miles from his Koru home "in circumstances which at the moment suggest foul play".

Mr Ouko, 57, had been missing from his home since early on Tuesday, when according to a report in the government-owned Kenya Times, he was driven off in a white car at 3 a.m. A huge police search was mounted in the district. His official briefcase and reading glasses were later discovered in his bedroom.

Mr Ouko was a veteran of Kenyan politics. He was Kenya's minister in the now defunct East Africa Community and was elected to Parliament in 1979 and immediately given a cabinet portfolio. He first served as Foreign Minister between 1979 and 1983, returning to the ministry in 1988 after five years first as Labour and then as Planning Minister.

He travelled extensively and had just returned from a trip to the US with President Moi.

He was widely considered one of the most able, articulate and trusted members of President Moi's Government.

Hawke keeps stealing Peacock's plumage

Chris Sherwell on the Australian opposition's problems as the election approaches

THERE'S an old adage about democratic elections – that oppositions don't win them, governments lose them. If the Labor Party regains power in the Australian poll called for March 24, it will be because the opposition Liberal and National Party coalition turned that maxim on its head.

The Prime Minister, Mr Bob Hawke, who has already led Labor to its record three terms since 1983, underscored the point when he cited the opposition's problems after announcing the poll date yesterday. "If you can't govern yourselves," he said derisively, "you can't govern the country."

He had two recent events in mind: this week's internal upheaval when Mr Andrew Peacock, the coalition leader, sacked a senior shadow cabinet member for outspoken criticisms of his leadership, and the opposition's embarrassing climb-down over health policy last month because of its financial miscalculations.

But Mr Hawke was also scoring a general point. A congenital lack of cohesion and coherence has left the opposition struggling to show a genuine ascendancy over the Government, despite having reinstated Mr Peacock as leader last year in a coup against Mr John Howard, who lost the 1987 election.

Mr Peacock, 50, though more debonair than Mr Howard, is also less gritty – "all feathers, no meat" – as one magazine has put it. Worse, the trend has been downwards, culminating in an opinion poll this week which put his personal rating below Mr Howard's, and Mr Hawke's well above both.

Peacock (left) and Hawke: economic management is the issue

Unlike 1987, Mr Peacock does not have to contend with fatal divisions within the coalition. And unlike 1987, when the opposition's campaign tripped over a mortal error in its budget policy calculations, most details of its platform – including its centrepiece, a tax-cutting economic "action plan" – have been laid before the electorate.

Even so, the coalition faces a problem distinguishing itself clearly from a Labor Party which, under Mr Hawke and Mr Paul Keating, the Treasurer, who is the architect of its economic policy, continues to steal its clothes.

The latest example has come in industrial relations, where Labor has said it favours enterprise bargaining – a big change in a country which has seen centralised wage-fixing for most of the century. At the same time the opposition has diluted a bold plan to liberalise the labour market.

Reflecting the Government's acute sense of timing, Mr Keating will also announce next week his latest deal with the trade union movement on wage increases and possible tax cuts. Labor sets considerable store by this long-lived "accord", pointedly asserting that, because the conservatives couldn't run wages like this, they wouldn't be able to run the economy.

Competence in economic management will dominate the campaign, and technically the opposition could run rings round the Government. Labor has presided over uncontained current account deficits, exploding external debt, record interest rates, untamed inflation, a string of corporate collapses, slow microeconomic reforms and, still to come, rising unemployment.

But Labor says it is responsible for seven years of solid economic growth, an enormous expansion of job opportunities and systematic changes - in tax policy, financial sector deregulation and tariff reductions – which the opposition failed to tackle and which have now dragged Australia into the late 20th century.

Cunningly, Mr Keating has portrayed his suffocatingly tight monetary policy to contain domestic demand as a responsible virtue, when in fact he refused to use fiscal and wages policy to the same end.

Voters are sufficiently cynical, and have suffered enough of a drop in living standards, not to be easily swayed by this. So Labor is also pointing to other achievements which distinguish it from the opposition. The most significant are environmental issues – in forestry and mining at home, driftnet fishing and Antarctica's protection internationally.

Its calculation is simple. In Australia everyone must vote, and declare preferences. Many are undecided, but defecting supporters are switching to the minority parties like the Australian Democrats rather than the coalition. If its stand on the environment can win the defectors back or ensure Labor is their second preference, it can retain power.

To the same end, the party last weekend ensured that the Labor premier and deputy premier of Western Australia's state government resigned their positions. The aim was to neutralise the disgrace of the Government's mismanaged and costly involvement with local businessmen.

The only unsettled question for Labor concerns the succession. Mr Hawke's heir-apparent is Mr Keating, but Mr Hawke, who is 60 and loves the trappings of the prime ministership, is talking of a fourth term and even a fifth. If he stays, Mr Keating would consider leaving. And if Labor loses, they both would. Similarly, an opposition loss would probably see both Mr Peacock and Mr Howard leave the scene.

Come polling day, Labor will be defending, under redrawn constituency boundaries, an effective 18-seat majority in the 148-seat House of Representatives, the lower house. Twenty marginal seats will determine the outcome: a swing of 2.6 per cent to the opposition would give it victory, a swing of 1 per cent against would lift Labor's majority to 30.

By most standards, Labor's chances of victory ought to be less than 50-50. Yet opposition weakness has made a Labor win seem attainable. Both sides are tired before they begin. If Mr Peacock is to bring his 24 long years in Parliament to a worthy climax by unseating his rival, he has much to do.

Japan's LDP likely to remain in power

By Stefan Wagstyl in Tokyo

THE ruling Liberal Democratic Party is expected to retain control of the Japanese Government following the general election tomorrow.

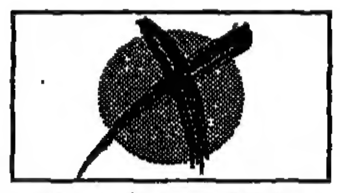
The LDP is likely to keep its majority in the dominant lower house of the Diet (Parliament), after recovering popular support since its unprecedented defeat last summer in elections to the upper house.

Nevertheless, the ruling party will find it difficult to assert itself as strongly as before, because opposition parties, headed by the Japan Socialist Party, have a majority in the upper house. Moreover, there are doubts about the ability of Mr Toshiki Kaifu, the Prime Minister, to resist pressure from LDP elders to step down in favour of Mr Shintaro Abe, a senior LDP figure with more intra-party clout than Mr Kaifu.

Pollsters say the LDP should win between 260 and 280 seats in the 512-member lower house in tomorrow's election, down from 295 before the election. If it fails to secure the 257 seats needed for a majority, the result could well hit confidence in the Japanese yen and in the Tokyo stock market. If the LDP scores significantly above 280 seats, the yen and Japanese stocks could rise sharply.

Support for the LDP hit an all-time low last year after the party introduced an unpopular consumption tax, became involved in the Recruit financial scandal and angered farmers with a change in agricultural policy.

The party's standing has recovered because concern about these issues has waned. In particular, the party has defused anger about the consumption tax by promising reforms. Also, voters have become convinced of the opposition parties' inability to present an appealing alternative to the LDP, which has ruled during more than three decades of unparalleled prosperity.



JAPANESE ELECTIONS

Moreover, LDP candidates have been able to use their powerful campaign organisations much more effectively in the lower house poll than they could last year in the upper house election. Particularly in rural constituencies, personal and local loyalties are paramount in the lower house vote.

The Socialist Party is expected to consolidate its position at the expense of smaller parties and increase its tally of seats from 83 to about 130. The biggest loser is likely to be the Communist Party, which has suffered from events in China and in eastern Europe.

The average Japanese is more interested than ever before in the election. There are a record 953 candidates; over 90 per cent of the electorate intend to vote, more than ever before, according to a Kyodo news agency poll.

UK NEWS

Leukaemia link is double blow to N-industry

By David Thomas, Resources Editor

BRITAIN'S nuclear industry could be forced to look into the abyss over its safety record this year, just as 1989 proved to be the year in which it was almost torpedoed by its economics.

The publication of evidence this week that suggested a link between radiation exposure among workers at the Sellafield nuclear reprocessing factory in west Cumbria and leukaemia contracted by some of their children was a double blow to the industry.

Not only did the results – produced by a team under Professor Martin Gardner at Southampton University – apparently come as a surprise to the industry, it was also the first official study to isolate a plausible cause of the clusters of leukaemia and other cancers around Sellafield. The report suggested damage to the men's sperm before they conceived their children.

The study is already being talked about as a blow to the industry on a par with the devastating exposé of its costs that the process of electricity privatisation achieved.

Claims down the years from within the industry that nuclear stations produced cheaper electricity than their coal-fired competitors crumbled in the face of the Government's stark inability to sell nuclear power stations. Similarly, claims that the leukaemia clusters and Sellafield were unconnected are tottering, if not crumbling, in the face of Prof Gardner's findings.

"What will be at issue over the next year is whether Sellafield can operate safely at anything like economically viable levels," said one union leader yesterday. He requested anonymity, mindful of the Sellafield workforce's traditional support for their plant.

The leukaemia study is also certain to turn the political spotlight on nuclear power once more. Mr Frank Dobson, Labour's energy spokesman, said yesterday: "If further reports were to undermine the industry's claims to safe operations, coming on top of acceptance that some nuclear power has been uneconomic, then the industry will be in a very serious position."

The Government is more taciturn, but Mr John Wakeham, Energy Secretary, is understood to be fairly jaundiced about nuclear power. One of his first jobs on taking his post last year was to sort out the nuclear costs fiasco, pulling all of the Central Electricity Generating Board's nuclear stations out of the privatisation.

The industry, for its part, was yesterday asking everyone to wait and see. BNFL said no decisions could be taken until after the further study requested by the Government from its advisory Committee on the Medical Aspects of Radiation in the Environment (Comare). It is also intending to hold urgent discussions with the Sellafield workforce and the authorities charged with overseeing nuclear safety.

The UK Atomic Energy Authority echoed this line. It operates the Dounreay nuclear facility in Caithness, around which there is also a leukaemia cluster, but it says that only two of the fathers of children who have had leukaemia in Caithness since 1979 have worked at Dounreay.

While more studies clearly need to be done, the implications of the Gardner report, if substantiated, are already emerging, at least in outline form.

The report suggests that men would be at greatest risk of fathering a child who develops leukaemia if exposed to total radiation doses of 100 millisieverts (mSv) before the child is conceived, or to doses of more than 10 mSv in the six months before conception.

A total of 691 Sellafield workers received doses of more than 10 mSv in 1988. BNFL was yesterday unable to give the latest information for lifetime exposure of Sellafield's workers, but it estimated that more than 2,000 workers had received doses of more than 100 mSv between 1950 and 1985.

The legal maximum annual dose level is 50 mSv, but BNFL says Sellafield operates to a 30 mSv level. The regulatory authorities have recently proposed introducing a 15 mSv level.

Any move to cut this limit to the 10 mSv contained in Prof Gardner's report would inevitably force BNFL into costly revisions of its working practices. It would almost certainly have to hire more workers, rotate their shifts in the most exposed parts of its facility more frequently, introduce even more stringent protective devices and so on.

BNFL believes that the most effective way for it to cut down on the radiation doses going to its workers is through investment in more efficient plant. It already has £5bn worth of new plant coming on stream, although this does not address the safety issues connected with decommissioning old plant, as the company acknowledges.

All these changes could add substantially to costs, as BNFL also acknowledges, which

RADIATION DOSES among Sellafield workers 1988

Dosage in mSv	Number of workers
0-5	4738
5-10	1091
10-15	452
15-20	179
20-30	59
30-40	1

Source: BNFL

would feed through to the charges of Nuclear Electric, the new state-owned company running the nuclear power stations in England and Wales now that they are to remain in public ownership.

BNFL charged £692m in 1988-89 for its services to the Central Electricity Generating Board and the South of Scotland Electricity Board. Any increase in these costs could threaten the Government's determination to reduce its nuclear levy price subsidy by a third over the next eight years.

Yet environmental groups are certain to make the Gardner finding a focus to lobby for stronger controls on the industry. Friends of the Earth said yesterday it would be pushing for a 10 mSv annual dose limit, while Greenpeace is preparing plans for new campaigns against the transport and reprocessing of nuclear waste.

Communities accept the report quietly

By John Authers and Ian Fazey

THE communities surrounding Sellafield accepted Thursday's report quietly, and to an extent positively. One local clergyman said: "It will cause a certain amount of anxiety, obviously, but Sellafield is part of the fabric here."

Local people have grown accustomed to reports about the complex, and there was some feeling that "this is the most positive and definite declaration we've had so far". Sellafield employs so many workers that continued concern causes little more than irritation.

One man in Bootle, about 10 miles away, said: "We have a lot of people who are dependent on it for a livelihood. On the whole I think we are very happy with it. We get a great number of cranks and would-be scientists, and we get a lot of people with axes to grind. I would like to see a report from someone without an axe to grind."

Mr Ken Andrews, a partner in Richards & Co, a small firm of chartered accountants in Egremont, five miles from Sellafield, said latest doubts about safety were likely to undermine further business confidence in the area.

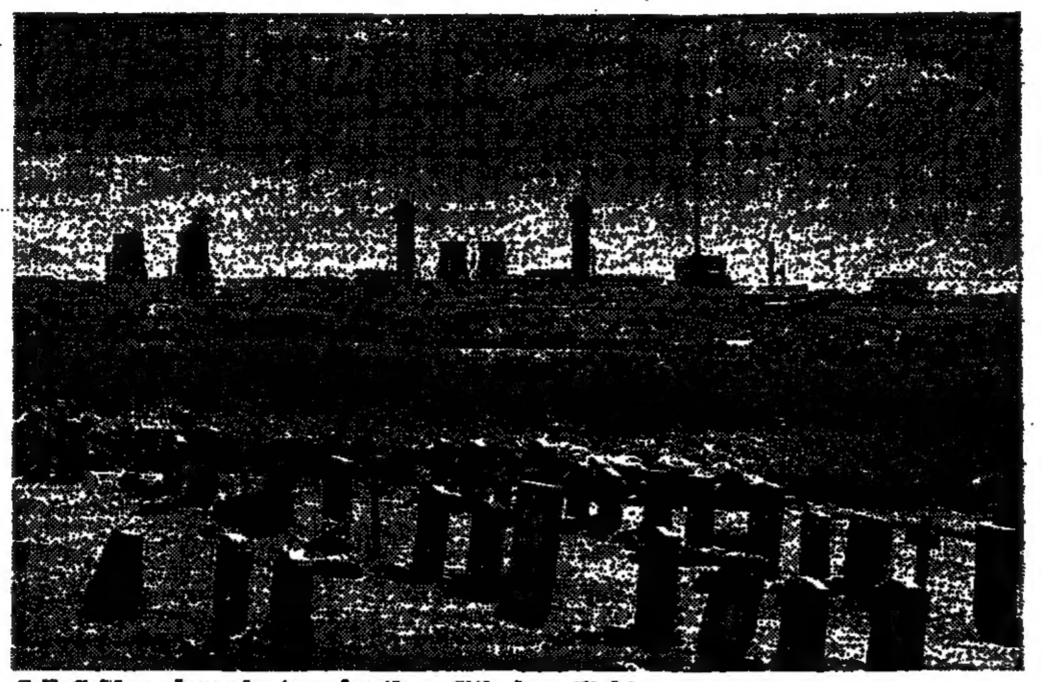
The firm acts for a wide range of small businesses around the plant, some trading directly with British Nuclear Fuels or its major contractors, but most indirectly dependent on Sellafield for their survival.

Mr Andrews said Sellafield was fundamental to the economy of West Cumbria. Shops, pubs and guest houses relied on the plant because tourists had been deterred by radiation scares.

The majority of people in the area are extremely annoyed with these "hysterical" scares, he said. "We all know that radioactivity is dangerous but it is as measurable as any other form of pollution and much better controlled. We are all well aware of the standards in force in Sellafield and most people have confidence in them."

He was sceptical about the research which has thrown up the suggestion that some workers might have passed genetic damage on to their children. "The trouble is that statistics are so often misused and misunderstood. If in a local village the incidence of leukaemia should be one case and the figure is two, that is seen as a doubling of the national rate but it does not mean that every child is going to get it."

Others in the communities around the plant believe that the incidence of cancer has nothing to do with the nuclear complex. A resident of Beckermet, a village close to Sellafield, put it graphically: "The Sellafield complex is very big but, when I stand and look out across the area, it only takes up five degrees of the view. Nobody pretends it's pretty, but the other 355 degrees are really beautiful."



Sellafield nuclear plant: under the political spotlight

NRPB wants radiation-cancer link study widened

By David Fishlock, Science Editor

A INVESTIGATION of the medical records of over 100,000 people who have worked with radioactivity in Britain since the 1940s has been proposed by the National Radiological Protection Board.

It follows evidence from statisticians led by Professor Martin Gardner at the Medical Research Council's Environmental Epidemiology Unit at Southampton University, that workers exposed to high levels of radiation at the Sellafield nuclear reprocessing plant in Cumbria, may have fathered children who were genetically disposed to contract leukaemia and other cancers. Their findings are published in this week's British Medical Journal.

The NRPB, the Government's watchdog on public exposure to radiation, wants the Department of Health to carry out a follow-up study drawing on the national register of radiation workers set up in 1976. The register records the radiation doses received by 105,000 industrial workers since 1946.

Dr John Stather, head of the NRPB's biological effects department, estimated the study would take from two to three years and cost upwards of £100,000.

Workers on the register have been employed by such organisations as Amersham International, British Nuclear Fuels, the Central Electricity Generating Board, the Ministry of Defence, the Medical Research Council, Rolls-Royce and associates and the UK Atomic Energy Authority. Dr Stather said he would have to pool the NRPB register with a national databank on childhood cancer compiled by Dr Gerald Draper, a cancer epidemiologist in Oxford.

Two more studies – on workers at Dounreay, in Caithness, Scotland and at Burghfield near Reading, where nuclear warheads are assembled – are expected to be published by the Southampton group this year.

Dr Stather said there was no previous clinical evidence of such an association. In the case of the Hiroshima nuclear explosion, more than 7,000 people whose fathers had received 500 milli-Sieverts or more of radiation had been followed for 30 years, without yielding evidence of any link between radiation exposure and cancer in offspring.

The proposed NRPB study would investigate much larger numbers of current and former radiation workers.

NEWS IN BRIEF

Nationwide Anglia lifts lending rate

THE NATIONWIDE Anglia yesterday became the first building society to follow the Abbey National's increase in the mortgage rate, with the same 0.9 percentage-point rise to 15.4 per cent from March 1.

The Nationwide also said it would help new borrowers by increasing to 0.65 percentage points its discount for the first three years of a £60,000-plus loan.

Bank director leaves

SALOMON BROTHERS, the US investment bank, was on the point yesterday of losing its 20-strong property team in the second exodus from a US bank this week.

Mr Randolph Dumas, managing director of Salomon's international real estate division, based in London, resigned to run a new merchant bank specialising in property.

He is expected to be followed by most, if not all, of Salomon's property team, which in recent years has been active in arranging property finance for the London market. Last year, it handled the sale of Paternoster Square, the office complex next to St Paul's Cathedral.

The new merchant bank will be called Dumas West. It will be backed by US West, one of the former Bell telephone companies and will be provided with funds to lend on its own behalf.

Earlier this week, Mr Allen Wheat, the chairman of Bankers Trust International in London, resigned to join Credit Suisse First Boston and took six staff from London and six from Tokyo with him.

Knickerbox to grow

KNICKERBOX, the niche retailer of underwear, is raising £2m from City institutions to finance expansion. It plans to double the present number of 35 stores over the next three years.

The finance was arranged by Candover Investments, partly through its Candover 1987 Fund which invests on behalf of institutions. Candover and the fund will together hold 22.5 per cent of Knickerbox's equity.

The company, which was set up in October 1986, is operating profitably and expects to reach sales of £10m in its financial year to end January 1991.

Gas data agreement

AN AGREEMENT designed to encourage new entrants to start supplying gas to industrial consumers was signed yesterday by British Gas and Ofgas, the industry's regulator.

The agreement gives potential competitors to British Gas access to data on the company's pipeline transmission system, through which their gas supplies would also flow.

Parents' duty

SCHOOLS face an impossible task in developing children as responsible citizens unless parents play their part in full, Mr John MacGregor, Education Secretary, said yesterday.

They and all other sections of society had a duty to help teachers in their task, he said at a national conference on Citizenship in Schools, by setting an example which reinforced the messages that schools were seeking to get across.

Resignation from bank's pension arm

By Barry Riley

THE troubled London operations of Union Bank of Switzerland have received another blow with the resignation of Mr Keith Percy, the executive chairman of the highly successful pension fund management subsidiary Phillips & Drew Fund Management.

Staff were told yesterday. There was said to be no connection with the controversy earlier in the week over the refusal of the London stockbroking arm of the UBS group, UBS Phillips & Drew, to compensate institutional investors in Blue Arrow, as County NatWest has agreed to do.

Officially, Mr Percy is said to have left in order to seek new challenges and make way for the promotion of colleagues. Another director, Mr Paul Meredith, has been appointed as his successor.

However, there is thought to have been increasing friction between the fund management business and its Swiss owners.

Since Mr Percy took over in 1983 the company has moved from seventh to second in the industry's league table in terms of UK pension funds under management, and now controls portfolios worth almost £17bn. It was originally part of the broking group, but is now separately constituted.

Company executives have considered that the success of the business should have been rewarded with the granting of greater autonomy, but instead interference has increased.

Phillips & Drew Fund Management is believed to have shelved a plan to float a proportion of its capital on the stock market, as has been successfully done by the biggest pension fund manager, Mercury Asset Management.

UBS, which has been losing very large sums on the broking and market making sides of Phillips & Drew, is understood to be unhappy that the profitability of the fund management operation is much less than that achieved by Mercury.

The departure of the executive chairman in controversial circumstances may damage Phillips & Drew Fund Management's good reputation. "P&D will need a careful look at now that Keith Percy has gone," said a leading consultant on pension fund management yesterday.

Power cable fee angers France

By Maurice Samuelson

AN ARGUMENT has broken out between electricity officials in Britain and France over use of the cross-Channel high voltage cables after Britain's electricity industry is privatised on April 1.

The National Grid Company, which will run the British end of the cable link, wants to charge up to £80m a year for handling the large volumes of power which Electricité de France, the French national utility, hopes to sell on the private British electricity market.

EdF rejects the idea in principle. Mr Jean Zask, its manager for cross-border trading, said in Paris: "If I thought it were serious I would say it is a racket and a scandal. As it is, I simply find it amusant."

The Grid company insists: "As a private company, we will be obliged to show a return on our assets including our part of the cross-Channel link. Everyone will be charged for use of the transmission system and EdF can be no exception."

The Department of Energy, which supports the National Grid's position, is believed to fear that large-scale French imports would create acute overcapacity in three or four years when a spate of proposed new gas-fired power stations start to come on stream.

EdF says transmission charges on cross-Channel deliveries would flout a protocol on the cable link signed by EdF and the Central Electricity Generating Board. The National Grid Company says this would not apply to commercial use of the link.

The cross-Channel link was built by the two utilities five years ago, at a cost of about £800m with financial help from the European Community, to enhance security and lower costs in both countries by permitting daily power swaps at peak times, which differ in each country. Because of lower than expected demand, it has been increasingly used to carry cheap nuclear electricity from Northern France.

The French regret the British Government's decision to exclude their nuclear power from the quota of non-fossil fuel electricity which the British distribution companies will be forced to buy.

However, they still see commercial opportunities since French nuclear sales would be exempt from the 10.6 per cent levy on sales of coal and gas-fired electricity. But this advantage might be wiped out by the proposed charges.

Inflation rate stays at 7.7%

By Peter Norman, Economics Correspondent

BRITAIN'S annual inflation rate in January was a worse-than-expected 7.7 per cent and more bad news is on the way.

The Central Statistical Office announced yesterday that the retail prices index rose 0.6 per cent last month to show an unchanged 7.7 per cent annual rise for the third consecutive month. The City had expected a 0.4 per cent jump in January and an annual rate of 7.5 per cent.

Higher food prices were the main causes of the increase. Dearer vegetables, fruit, fresh fish and home-killed lamb contributed to a 4.7 per cent rise in seasonal food prices in January, the biggest monthly increase in this category since January 1965.

Dearer petrol and car maintainance, increased housing costs and a rise in alcoholic drink prices after Christmas discounts also boosted the price index, more than offsetting lower clothing prices in the January sales and the absence of a mortgage rate increase or higher rail fares.

The Treasury said inflation was too high but that the Government's resolve to bring it down by tight monetary and sound fiscal policy was "firm and strong."

One small consolation for the Government was that the annual rise in the retail prices index, minus mortgage interest payments, was unchanged for the fourth successive month at 6.1 per cent.

Looking ahead, many analysts believe the annual rate of inflation could exceed last year's high point of 8.3 per cent by April.

This would increase the difficulties faced by Mr John Major, the Chancellor, in managing the economy. Higher prices have been the principle factor behind higher wage claims.

February's inflation rate will be boosted by higher rail fares and more increases in food prices. In March and April, higher mortgage rates, the community charge, increased utility costs and any increases in excise duties in the Budget will boost inflation further.

The retail prices index rose to 119.5 (base January 1987 =100) in January from 118.8 in December while the tax and price index, which measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices, advanced to 113.9 (base January 1987 =100) from 113.1.

THE GUINNESS TRIAL

Margulies companies 'paid £3.5m in share support deal'

Court report by Raymond Hughes

COMPANIES controlled by Mr Ephraim Margulies, chairman of the S&W Berisford group, were paid a total of £3.5m for Mr Margulies' help in an unlawful share support operation mounted by Guinness during its takeover battle for the Distillers drinks group, it was alleged yesterday.

Mr John Chadwick, QC, prosecuting, told the jury at the Guinness trial at Southwark Crown Court that the payments had been suggested by Mr Anthony Parnes, a City stockbroker, and approved by Mr Ernest Saunders, Guinness chairman and chief executive.

Mr Saunders, Mr Parnes, Mr Gerald Ronson, chairman of the Heron group, and Sir Jack Lyons, the millionaire financier, face criminal charges relating to the share support operation.

Mr Saunders faces eight charges of false accounting, two of theft, two of conspiracy to contravene the Prevention of Fraud (Investments) Act, two under the Companies Act, and one of destroying documents. Mr Ronson faces two charges of false accounting, one of theft, one under the Prevention of Fraud (Investments) Act, and one of aiding and abetting an offence by Mr Saunders. Mr Parnes faces five false accounting and two theft charges. Sir Jack Lyons faces four false accounting charges, one of theft, two under the Prevention of Fraud (Investments) Act and the Companies Act, and one of aiding and abetting an offence by Mr Saunders.

All have pleaded not guilty.

Mr Chadwick told the jury: "Mr Margulies is not a defendant in this case and I must tell you that it is not necessary for you to form any view about the criminality or otherwise of Mr Margulies' participation in the events which I am about to describe, and it would be quite wrong for you to attempt to do so."

Mr Chadwick said that in return for buying Guinness shares, Mr Margulies' companies were paid an indemnity against losses on resale of about £1.4m and a £2m success fee. The money, he said, was paid on two invoices: one from Compagnie Internationale de Finance et Commerce (CIFCO) for £1.94m dated June 10, 1986, as "fee for advisory service as agreed"; the other from Erlanger and Company for £1,495,000 "to work in connection with the acquisition of Distillers."

Neither CIFCO nor Erlanger had given any advice or rendered any services to Guinness, Mr Chadwick said. Both invoices were false and had been paid on Mr Saunders' instructions, Mr Chadwick alleged.

He said that when Mr Margulies was asked by Mr Saunders to support the Guinness bid by buying its shares, "Mr Margulies said he would like to be helpful but that he would not like to lose as a result." Mr Margulies agreed to make £15m available for share purchases.

After Guinness's bid had succeeded, Mr Parnes told Mr Olivier Roux, then Guinness' finance director, that Mr Margulies had suffered losses on the resale of the shares. Mr Parnes suggested that Guinness should compensate Mr Margulies.

Mr Roux mentioned this to Mr Saunders, who agreed to Mr Margulies being paid an indemnity plus a success fee.

Mr Parnes' reward for his part in the arrangement, under which Mr Margulies and his companies had made a profit of some £2m, or by way of commission, was a £340,000 payment by CIFCO.

Mr Chadwick said that the appointment of DTI inspectors to investigate the takeover had caused Mr Parnes and Mr Margulies "considerable alarm."

Mr Parnes told Mr Roux that Mr Margulies was trying to "frame" him (Parnes) and trying to dissociate himself from CIFCO – to make it appear that Mr Parnes was personally responsible for CIFCO and the payments it had received.

Mr Chadwick said that at a meeting at Mr Parnes' house, Mr Margulies had proposed to Mr Roux that it should be made to appear that CIFCO had advised Guinness about trading problems with Third World countries. To support "this pretence" two back-dated letters addressed to Guinness were sent by CIFCO to Mr Roux. Everyone concerned had tried to keep up the pretence but, when interviewed by the DTI inspectors, Mr Parnes admitted it was all a fiction.

In 1987 Erlanger repaid Guinness the £1,495,000 and CIFCO repaid £1.2m out of the £1,940,000 it had received, Mr Chadwick said.

He said that Mr Saunders claimed to have known nothing about the matter and denied having sanctioned the CIFCO or Erlanger payments.

Mr Chadwick went on to tell the jury of Sir Jack Lyons' alleged part in the unlawful share support operation.

He said that on April 15, 1986, when the Guinness bid was about to close and the position was becoming critical, Zentralsparkasse und Kommerzial Bank, of Vienna, agreed, at Sir Jack's request, to buy Guinness shares.

When the price went down after the bid had succeeded, ZKB resold at a loss of £253,424.

Mr Chadwick alleged that Sir Jack had produced a handwritten invoice on ZKB-headed paper for "consultancy services re acquisitions and commercial services in Europe." The figure was left blank.

Sir Jack subsequently agreed with ZKB's London manager that the figure should be £250,000 for consultancy services and £4,000 for out-of-pocket expenses.

Ephraim Margulies: alleged to have said he would like to help

The invoice, which was false, Mr Chadwick said, had been typed at ZKB's Vienna offices. Sir Jack Lyons gave it to Mr Roux. Mr Saunders told Mr Roux he was quite prepared for Guinness to pay.

Mr Chadwick alleged that, worried by the DTI investigation, Sir Jack had suggested that a file of correspondence between Guinness and ZKB should be built up to make the payments appear legitimate.

ZKB, said Mr Chadwick, "declined to be involved in the cover-up that Sir Jack Lyons was suggesting." ZKB subsequently repaid the £254,000, with interest, to Guinness.

Counsel said Mr Saunders agreed that he had asked Sir Jack Lyons to encourage people to buy Guinness shares, but denied knowing of the ZKB connection or seeing ZKB invoice.

Mr Chadwick said that Sir Jack Lyons had bought 1.2m Guinness shares for his own clients, and 800,000 for himself.

The purchases had clearly been to raise the share price. Sir Jack had lost some £300,000 when he sold his shares. He recouped his loss by an arrangement with Mr Ward for Guinness to pay Sir Jack £300,000 in 12 monthly instalments of £25,000.

Sir Jack and Mr Parnes had wanted to make it appear that the payments to them were being made to foreign companies. At Parnes' request, Mr Ari Margulies, Mr Ephraim Margulies' son, gave Mr Parnes an invoice for "corporate finance success fee as agreed £3,350,000" on the paper of Consultation et Investissements. Mr Parnes – who did not know whether or not C&I existed – told Mr Roux he wanted the money to be paid to Pictet et Cie, a Swiss bank.

Sir Jack Lyons' £3m fee – in addition to £345,000 already received by his company J. Lyons Chamberlayne – was paid on an invoice from a Panamanian company, Konsultat, "for professional and advisory services."

Mr Chadwick said that in 1987 Mr Parnes repaid Guinness nearly £2m, Sir Jack Lyons repaid £2,248,060.

He said that Mr Saunders claimed he had been persuaded to agree to payments of about £3m each to Mr Parnes and Sir Jack Lyons. Mr Saunders denied having seen the Konsultat or C&I invoices.

The trial continues on Monday.

UK NEWS

Report attacks council cemeteries' sale

By Jimmy Burns

A ROW erupted at Conservative-controlled Westminster City council yesterday when it was threatened with High Court action by an independent auditor over what he called the "unlawful" sale of three cemeteries for 5p each.

In his provisional conclusions, published yesterday, Mr John Magill, the London District Auditor, states that the sale of the cemeteries breached rights of burial and maintenance agreements covered by local government legislation.

In January 1987, the council sold the overgrown and disused cemeteries at Hanwell in West London and Mill Hill and East Finchley in north London to investment companies and property developers. The cemeteries were subsequently involved in a series of further transactions with other private companies.

In his report, Mr Magill says that he is "minded to apply to the High Court" for a declaration that items in the Council's accounts are "contrary to law." He refers to sums received" of 90p and sums paid out of £71,996.24p under what the auditor in his report regards as "unlawful and unauthorised transactions."

Mr Magill has given the council until March 30 1990 to make representations on the affair before taking a final decision. He has also resisted demands from some ratepayers and from the opposition Labour Party to use his powers to surcharge and disqualify councillors.

However his report while dismissing any charge of wilful misconduct, is critical of a former Tory councillor and two council officials. He says: "Decisions taken by members and officers, which led to the sale were taken without regard to a number of highly relevant considerations."

Mr Oaul Dimoldenberg, Westminster's Labour leader, responded to Mr Magill's report by calling for the resignation of the Council's leader, Lady Porter.

He said: "This is the most damning report ever published by the District Auditors . . . Lady Porter must take responsibility for the failing of Conservative councillors and senior officers."

Lady Porter said she had no intention of resigning and accused the labour Party of conducting a smear campaign against her. The Auditor's report showed that members of the Council at the time of the sale had been badly advised by officers but that she herself had been "totally exonerated of any charges."

Ms Jo Mahoney, a member of of an association representing the families of those buried in the cemeteries, said that there would be continued pressure for Lady Porter to give a proper account in public of the council's handling of the sale.

Lady seeks political survival

THERE was a lady who was not for turning in Westminster yesterday. The question, however, was whether she would be forced to, writes Jimmy Burns.

At the press conference called to respond to the auditor's report, Lady Porter began by ordering a television reporter to remove his microphone from in front of her. She followed this by declaring that she had been minded to call the press conference not in Westminster City Hall but in one of the cemeteries in question.

Sitting beside her, one of her political colleagues may have looked somewhat uneasy but nothing in the day's events appears to have dented the brisk, authoritative and extrovert manner with which Lady Porter has been identified since becoming leader of Westminister City Council in 1983.

With a voice and a frozen smile, Lady Porter replied to Labour calls for her resignation with an unhesitating "absolutely not."

Lady Porter is the youngest daughter of the late Sir John Cohen, the founder of Tesco. Born in Clapton, east London. A slight trace of cockney is now virtually submerged in a more refined accent.

A one-time magistrate and deputy chairwoman of the London Festival Ballet, she has been leader of the jewel in the crown of Tory London councils since 1983.

Yesterday Lady Porter admitted only one fault: that the cemetery saga may not have happened the way it did had she kept a tighter reign on things.

For all her bravado, however, the woman who claims to have brought efficiency, cleanliness and value for money to the streets of Westminister is having to stave off a challenge to her political survival. Ironically, her past determination to run the show has brought her into the limelight when her fellow Tories least need it.

One senior Tory councillor yesterday pointed out that his party had emerged unscathed, indeed fortified, from two by-elections since the cemetery scandal started in 1987.

However, Labour councillors boldly predicted that the auditor's report would have an important psychological impact on electors' perceptions in May.

Lady Porter: determination to run the show has brought her into the limelight when fellow Tories least need it.

Labour policy on mergers aims to counter wave of takeovers

By Philip Stephens, Political Editor

THE Labour Party yesterday said it would "redress the balance" of mergers and acquisitions policy in Britain to ensure that long-term industrial interests were put before short-term financial gain.

In a policy document, released as part of its Industry 2000 campaign, Mr Gordon Brown, Labour Trade and Industry spokesman, set out new "public interest" criteria under which a future Labour Government would determine the outcome of proposed bids and mergers.

Labour believes this policy will counter the wave of takeovers which it says have damaged industry's research and development and investment efforts.

It will be attacked by the Government, however, as marking a return to interventionist policies of previous Labour administrations. Mr Brown, speaking at a seminar for industrialists at Salford, said that Labour would give statutory backing to the Takeover Panel and would introduce measures designed to tighten the requirements for processing bids.

The policy document sets out in detail the factors which would apply in any assessment of whether a proposed takeover or merger would be given the go-ahead.

Under Labour's proposed legislation, the Office of Fair Trading (OFT) and the Monopolies and Mergers Commission (MMC) would review the impact on competition and other criteria ranging from research and development to the financial soundness of a bid.

Mr Brown said the tighter requirements for processing bids would include a reduction in the present 30 per cent shareholding threshold at which a full bid is required. The figure will be decided after consultation with industrialists but Labour has been considering a level of about 15 per cent.

The proposals also call for the pre-notification of all bids to the OFT, which would have the authority to acquire information from both sides before making a recommendation on whether the bid should be referred to the MMC.

The strategy would aim to balance short-term financial interests with the long-term interests of both individual companies and of the economy.

Glaxo in row over drug cancer claim

By Peter Marsh

GLAXO, Britain's biggest drugs company, was involved last night in a row with a rival pharmaceutical group after Glaxo linked with cancer a medicine which competes with its biggest product.

The dispute involves Losec, an anti-ulcer product made by Astra, Sweden's biggest drugs company. According to Glaxo, Losec can produce tumours in rodents under some circumstances.

Losec is a direct competitor to Zantac, an anti-ulcer drug made by Glaxo. Zantac, with annual sales of some £1.5bn, dominates the world's £4bn-a-year ulcer drug market.

Astra said the claims by Glaxo, published in a letter from four of its scientists in yesterday's edition of The Lancet, the UK medical journal, are "a marketing ploy and nothing else." It said the scientific basis for the studies was "flawed, unvalidated and highly questionable."

Glaxo denied it had commercial motivations in sending the letter, which was published along with a reply from Astra and a commentary from the journal.

Clarke backs deal to join Porton research

By Peter Marsh

MR KENNETH CLARKE, the Secretary for Health, said yesterday that he had no regrets about a deal which he concluded five years ago with Porton International, a biotechnology company, involving commercial use of ideas at a state health laboratory.

The agreement, between Porton and the Centre for Applied Microbiology and Research (CAMR), was to have involved Porton spending £20m to build a fermentation plant at the laboratory. The plant has yet to be built and staff at CAMR and Porton have fallen out over some aspects of the deal involving the centre.

A drug for treating herpes, the subject of research at CAMR which Porton is trying to commercialise, has yet to reach the market even though Porton indicated in 1985 it might go on sale in 1986. Porton said in 1985 that the drug could account for pre-tax profits of £77m by 1989.

CAMR, with a staff of 600 and an annual budget of about £10m, is based in Wiltshire. It works on a variety of health-related matters including the monitoring of specific diseases and research in biotechnology.

In recent months, the Health Department has reviewed CAMR's future. One idea was to keep it under government ownership but with agency status. This would give it more say over finances. Another option was privatisation.

Mr Clarke, who as Health Minister in 1985 was responsible for the original deal with Porton, said he could not comment on details of the discussions regarding CAMR.

Mr Clarke said that the Health Department had canvassed other drugs companies about linking up with CAMR. Porton had won largely because it had agreed to fund the fermentation unit.

● Mr Clarke yesterday told a health-care conference in London, that the pharmaceutical industry had nothing to fear from his plans for tougher controls over doctors' prescriptions.

He said physicians would not be barred from prescribing new, expensive medicines and he accepted that Britain's £2.2bn-a-year drugs budget would probably continue to rise.

Out-of-court settlement in underwriting dispute

MR DAVID BECKER, a Lloyd's of London "name", yesterday settled on undisclosed terms his High Court action against Mr Charles St George, the former chairman of the company which managed his underwriting affairs.

Mr Becker, who had claimed that Mr St George reneged on a promise personally to cover him for his net £120,000 underwriting losses, would only say afterwards: "I am very happy with the result but I am afraid I cannot discuss figures. I got what I came for."

The case collapsed yesterday morning after Mr St George spent Thursday afternoon in the witness box. He told Mr Justice Hidden that the agreement with Mr Becker was a "nebulous" one, whereby his company, Oakley Vaughan (Underwriting), would loan Mr Becker at least 50 per cent of his losses. If Mr Becker was unable to repay the loan, Oakley Vaughan would not pursue repayment.

However, Mr Becker, an architect, insisted there was a "cast iron" agreement that Mr St George would personally indemnify him.

Charity body urges tax incentives

By John Authers

FRESH tax incentives for charitable giving was called for yesterday, after a report revealed that Mr Nigel Lawson's tax-cutting budget of 1988 failed to increase giving by individuals.

The Charities Aid Foundation, which published the report, is urging Mr John Major, the Chancellor, to announce in next month's Budget a cut in the basic income tax rate to 15 per cent for those giving 10 per cent of their income to charity as a "voluntary tax." It also calls on the Government to give greater publicity to tax incentives.

The 1988 budget doubled the tax-free limit on payroll donations to £20 per month but the average Briton gave less than £2 to charity per month in the following year, the same as in the previous financial year, the report says. The foundation believes that high mortgage rates are partly to blame for the lack of generosity.

Mr Michael Brophy, the Foundation's director, said: "It doesn't surprise me that giving is static." Given the high rates of interest people simply did not have as much disposable income.

A similar survey of American donations, conducted by Gallup, suggests that the British are only a tenth as generous as individuals in the US.

Old-fashioned fund-raising methods account for most donations in the UK. The report found that nearly eight in 10 people need an appeal to prompt them to give. Door-to-door collections account for the most donations, followed by raffle tickets and sponsored events.

Charity Household Survey 1988/89. Peter Halfpenny. Charities Aid Foundation, 48 Pembury Road, Tonbridge, Kent TN9 2JD. £8.45.

EMPLOYMENT

Work may restart at Ford Halewood plant

By Fiona Thompson, Labour Staff

UNIONS representing skilled and unskilled workers at Ford's Halewood plant are to hold meetings early next week which may result in a resumption of production at the plant.

Production at Halewood has been halted since January 16, with 8,000 people laid off without pay due to unofficial action by 550 maintenance craftsmen over the company's pay deal.

The Halewood shutdown led to a further 2,500 lay-offs at Ford's Southampton plant from January 26, because of the Southampton plant's reliance on Halewood for certain components.

Ford management at Halewood held talks yesterday with union representatives and indicated that the plant would be re-opened if the unions could give assurances that production would be continuous.

The company said it wanted similar levels of co-operation from the Halewood unions as it was receiving at the 19 other Ford plants which have stayed open in spite of the separate official strike, now 12 days old, of the 1,600 EETPU electricians at Ford.

The TGWU will hold a meeting on Monday of its unskilled and semi-skilled production workers at Halewood. It is likely they will vote to resume work, even if it involves crossing picket lines, as they have now been laid off without pay for almost five weeks.

The AEU engineering union is likely to recommend to its mechanical craftsmen taking unofficial action that they return to work. And if the TGWU unskilled workers – the bulk of the workforce – return to work, it is possible that the AEU craftsmen will decide to call off their unofficial action.

A meeting of all the skilled workers at Halewood has been called for Tuesday morning at Central Hall, Liverpool.

Ford yesterday sent home 200 employees at its Basildon radiator plant, for the second Friday running, as a result of the Halewood action.

The company said it did not need the radiators produced on a five day week while Halewood was not producing its 1,260 Escorts daily and Southampton its 2,500 Transit vans daily.

The company's Genk factory in Belgium restarted production last Tuesday after a two-week halt because of lack of components.

The total number of vehicles lost so far because of the industrial action is 43,454 in the UK and 5,000 at Genk.

Young lead in EC job market

By Lisa Wood, Labour Staff

EMPLOYEE mobility in the European Community will be most marked among young people, with graduates becoming especially vulnerable to poaching, Mr John Crosby, director of group personnel at BAT Industries said this week.

Speaking at a briefing of personnel directors organised by DBM, international placement consultants, Mr Crosby said: "UK graduates – particularly those with vocational skills and or languages – are vulnerable to poaching because of the combination of relatively low starting salaries, the value of English as an international business language and well-organised recruitment channels."

● A majority of Polytechnic lecturers are expected to have voted in favour of a pay offer, acceptance of which was recommended by Natfhe, the lecturers' union after talks at the conciliation service, Acas. The result of the secret ballot will be announced today.

Members of the Association of Polytechnic Teachers have already voted in favour.

Union call for direct labour changes

By Michael Smith, Labour Correspondent

THE CHIEF union negotiator for workers in local authority direct labour organisations has called for talks with councils to make DLOs more efficient by changing the national pay and conditions agreement.

The call by Mr Allan Black, national organiser for the UCATT construction workers' union, comes at a time when direct labour jobs are increasingly under threat because of competition from private sector companies.

At a conference organised by the Association of Metropolitan Authorities, Mr Black said DLO unions wanted talks on issues including the pattern of working hours, flexibility between trades and training to meet skill needs.

It is rare for unions to suggest the implementation of such changes because of the possible implications for members' working practices.

The downturn of trade in the building industry and the introduction of compulsory competitive tendering are having an effect on union thinking but Mr Black said he had been pressing for changes in the national agreement for several years. The employers had failed to come up with proposals, he said.

Lacsab, the local government employers' organisation, strongly denied the accusation. Last year, it said, councils had tried to negotiate a change which would have allowed work hours to be varied through local negotiation but this had been resisted by the unions.

None the less Lacsab welcomed Mr Black's "apparent change of heart."

Mr Black said the unions would be prepared to discuss variations in the working week so that, say, more hours could be worked in the summer than the winter.

There was also scope for skilled workers to pick up elements of other trades. A joiner, for example, might be trained to do some plastering around a door frame he had fitted, Mr Black said.

Mr Black said the unions would require a price in terms of pay for the changes. "You get nothing for nothing," he said. "But it would be a realistic price."

That is likely to prove problematical. With the rate support grant increasing by just 3.8 per cent this year, local authorities already face difficulties in meeting employees' pay rise expectations. They would have difficulty finding extra money to fund work practice changes.

BAe asks suspended workers to return

By Diane Summers, Labour Staff

BRITISH Aerospace announced yesterday that it was asking 150 employees at its Samlesbury, Lancashire, plant who had previously been suspended to return to work on Monday.

The move was described by BAe as a "continuing part of man-management" but was condemned by unions as "yet another miscalculation on the part of the company".

About 830 workers had been suspended at Samlesbury and another plant nearby for refusing to cross picket lines at Preston, where about 2,500 workers are on strike.

Workers there and at Chester and Kingston-upon-Thames are striking as part of a national campaign by engineering unions for a 37-hour working week.

BAe said yesterday that it would be contacting workers individually about resuming work on Monday.

Although the plant is mainly involved in the production of military aircraft, the company said these particular workers would be working on Airbus production. Airbus components, intended eventually for the Chester plant, would be stockpiled until the dispute ended there.

Although progress is believed to have been made in talks at Chester, Mr Bill Jordan, president of the AEU engineering union, said last night that management "should not go to bed over the weekend thinking work is about to resume at Chester".

Of the dispute at Preston, however, he said that "a settlement is there to be had".

Following the rejection by manual workers of the latest offer of a 37-hour, four-day week, Mr Jordan said the company had been "made aware of what they needed to do to end the strike".

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More pain in housing

THE TORIES' electoral success in the 1980s owed a great deal to the promotion of wider home ownership. Could their equally successful promotion of household debt over the same decade now lead to electoral defeat in the early 1990s?

In the wake of Abbey National's decision to raise its mortgage rate to the curiously unrounded figure of 15.4 per cent, many Tory backbenchers are understandably twitchy about the robustness of their majorities. The homeowner, meantime, might reasonably ask why rates are hitting this record level when the year-on-year increase in the retail price index is a mere 7.7 per cent. Back in 1981 when mortgage rates hit their previous peak of 15 per cent, the inflation figure was significantly higher than today at 12 per cent.

The answer to this apparent paradox is that the structure of the economy has changed substantially over the course of the decade, as has the operation of monetary policy. The monetary squeeze in the 1980s worked primarily through an overvalued exchange rate, which reflected the new freedom with which capital moved in and out of sterling in the aftermath of the abolition of exchange controls. It was the manufacturing sector of the economy which bore the brunt of the assault. The absolute value of the personal sector's outstanding borrowings, meantime, had been heavily constrained by credit controls. A huge amount of collateral, or equity, in the housing market remained unmortgaged.

All this changed as a result of the liberalisation of the domestic financial structure. As well as scrapping credit controls the authorities opened up the home loans market to clearing banks and other lenders. In the new liberal climate home loans were no longer rationed by building society patronage. Those who wished to borrow could do so to their hearts' content within the prudential constraints imposed by lenders. And as competition between lenders become more intense, the percentage advanced in relation to borrowers' incomes rose. With access to foreign as well as domestic deposits, the banks could lend as much as they wished.

Fewer savings

The result of this financial dash for freedom was asset price inflation. And as house prices soared, home owners became less sensitive to rising interest costs and less prone to save. Capital values in the housing market increased at a rate in excess of mortgage interest and simultaneously created collateral for more borrowing. The whole process was fuelled by tax relief on mortgage interest, which encouraged buyers to pay more for homes in relation to underlying incomes.

The result of financial deregulation is writ large in the latest edition published this week of Social Trends, the government's statistical handbook of the way we live now. The picture that emerges is one of an excess of spending over income and a massive build up of personal sector debt. Today the British have one of the highest levels of home ownership at 65 per cent and total home loans, on some estimates, approaching the £300bn mark.

More consumption

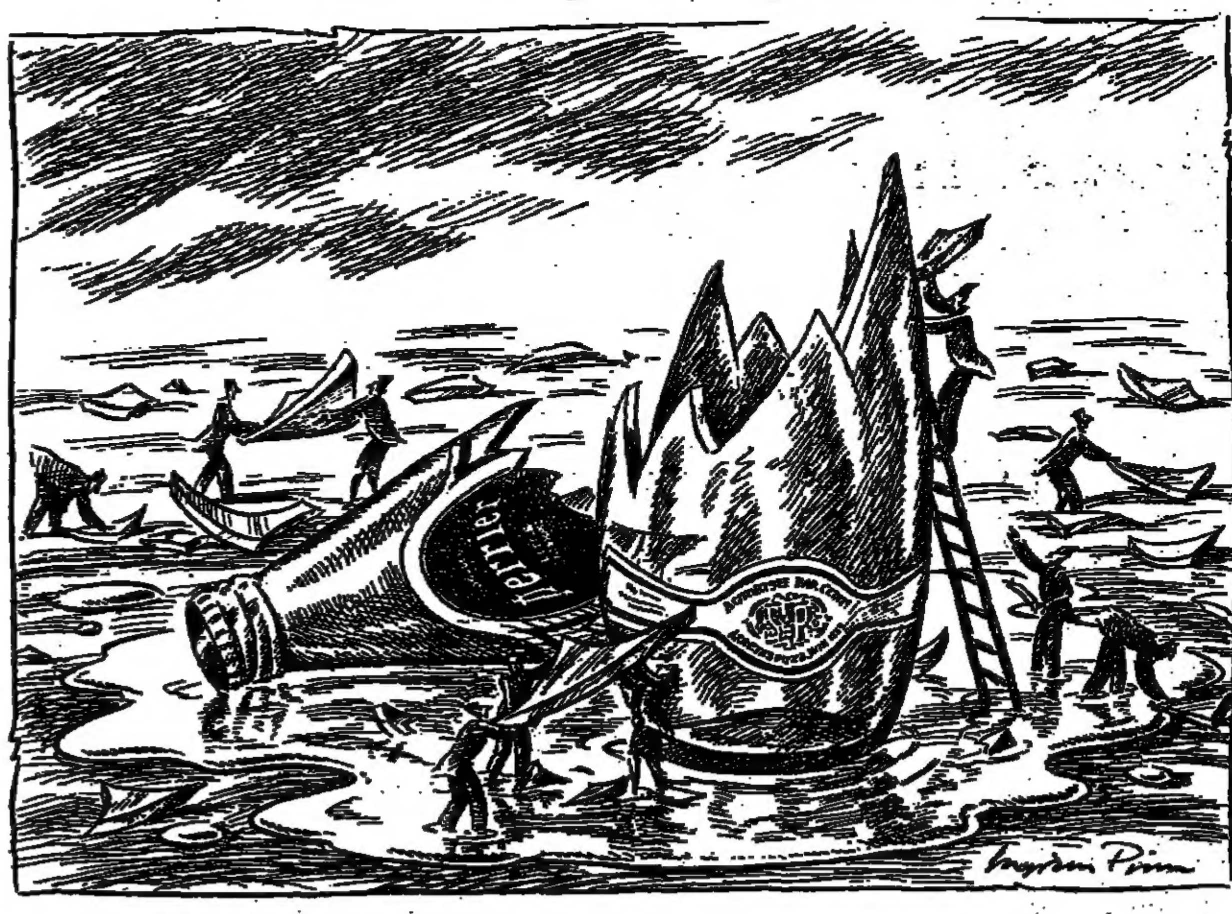
The advantage of deregulation is that it substantially enhances consumer choice. But in the absence of exchange and credit controls, borrowing and spending are not constrained by a shortage of domestic savings. Foreigners cheerfully lend expensive money to finance the additional consumption that is encouraged by the rising value of housing equity. Only when interest rates reach really penal levels does the monetary squeeze start to bite.

That is the point we have now reached. In most parts of the country, house prices are stagnant or falling. This, combined with percentage increases in earnings running close to double figures, will help re-establish a more conservative ratio of house prices to incomes. The question for the Tories is whether the pain will still be uppermost in people's memories when they take to the hustings.

The election is still a long way away. But there remains a powerful temptation, after Abbey National's move, for the Chancellor, Mr Major, to offer a palliative. The Prime Minister would dearly love him to increase mortgage relief from the present £30,000 – despite the fact that that this contributes to house price inflation and that £30,000 already exceeds the value of the average mortgage in the country as a whole.

The best hope for everyone except home owners who are about to cash in the value of the tax subsidy by leaving the housing market is that Mr Major decides he cannot raise the ceiling without being condemned as the Prime Minister's lapdog. But he is a clever enough minister to find more subtle means of addressing the political imperative. Only an optimist would believe that inflation in the housing market is at an end.

FT writers report on the recall of 160m bottles of sparkling water



Putting Perrier back together

Will Perrier regain its fizz and sparkle? Or has the bubble burst?

The marketing men who turned the French spring water into a multi-million dollar international industry now face a considerable task in refurbishing the image they created.

During the past decade, they turned a mundane product into an expensive symbol of French sophistication – implying foreign travel, high fashion, gourmet meals, and fine wines.

Some 200m bottles were drunk in the UK last year compared to around 500,000 in the mid-1970s. In the US, 1989 sales were 250m bottles, double the volume sold five years before.

Where Perrier led worldwide, many others followed, building an industry on images of purity and quality. It is those claims that have now been called into question by the benzene contamination. Perrier's response – the decision to scrap its entire world stocks of 160m bottles – is a brave and costly one.

After the initial few days of hesitation and fudge, the speed with which Perrier took this step reflects the great power held by Mr Gustave Leven, the 75-year-old chairman.

Perrier is very much Mr Leven's creation. In 1946, as a young stockbroker in his family firm, he was was asked by his father to find a buyer for Perrier, then little known and run down. The company, founded just after the turn of the century, was owned by Lord Harmsworth until 1936. (He modelled Perrier's pear-shaped green bottle – it is said – on the Indian clubs with which he took his exercise.)

Finding no great enthusiasm among potential purchasers, the young Mr Leven persuaded some of his own friends to help him. He has been at the top ever since.

Now, at 75, it must have been an uncommon ordeal for him to appear in front of the media spotlights this week to hold his first big press conference. Mr Leven is one of the most secretive businessmen in France; but also one of the most successful. His biggest rival, Antoine Riboud, head of the BSN food and drinks conglomerate, has described him as "a pure genius of marketing."

A well-built, soft spoken man, Mr Leven runs his FFr 15bn (£1.55bn) a year business from a stylish building in the smart eighth arrondissement of Paris. It stands just behind the church of Saint-Philippe-du-Roule where the weddings and christenings of the Parisian haute bourgeoisie take place. The windows are the green of Perrier bottles and the furniture is a modern metallic Italian design.

Mr Leven, who finds any gathering of more than four or five people an ordeal, invariably offers his guests a glass of his water. He opens up as he tells the story of how he turned the sparkling water spring first into a national institution and then into an international business success.

Mr Leven has always believed there is no better investment than water. "There is never any recession in the mineral water market," he says.

He chuckles when he recalls that he hired a distinguished American marketing consultant who told him Perrier had no future in the US. "I concluded that there was clearly room for Perrier in the US whatever the consultants might have said." Perrier's big push in the US began in 1977. Today it accounts for 85 per cent of all imported water there, with annual US revenues of $160m (£95m).

Perrier's exposure to the Perrier brand is relatively limited – between a quarter and third of group turnover, according to industry estimates. The group makes just over half of its sales, FFr 8.1bn out of FFr 15.1bn in 1988, from drinks, mostly Perrier and the other mineral waters – Vichy, Volvic, Saint-Yorre and Buxton in Europe, Arrowhead and Poland Spring in the US – plus soft drinks like Pschitt and Gini, and a thermal spa in Vichy. Of the rest, 35 per cent comes from dairy products including Roquefort cheese (Perrier controls 80 per cent of French production) and one of the biggest producers of Italian cheese in the US, Sorrento, based in New York.

The remaining 11 per cent is an odd hotch potch of interests in building, central heating radiators, plastic packaging and chocolates, relics of Mr Leven's fondness for buying and selling strategic stakes in unrelated companies in the hope of turning a profit on the deal.

Politically, Mr Leven is close to Raymond Barre, the portly former French prime minister under President Giscard d'Estaing. But he has always kept his political views to himself. It therefore came as a surprise 18 months ago to find Mr Leven emerge as one of the main backers of the failed attempt by Georges Pebereau, the former head of France's Compagnie Générale d'Electricité (CGE) group, to launch a controversial raid on the privatised Société Générale bank, with the tacit support of the Socialist government.

Loyal to his friends, Mr Leven had decided to support Mr Pebereau in his efforts to stage a comeback. But Mr Pebereau mishandled the Société Générale raid and ended up embarrassing his allies. Mr Leven had to endure the sort of press attention he so much dislikes. That fiasco, however, did little to dent his reputation as king of the sparkling water business. He has now been forced to act to protect his throne.

The impact of the benzene scare on Perrier's profits will largely be determined in the United States, where Perrier accounts for 85 per cent of all sparkling water sales.

Advertising and beverage experts in the US are divided over the company's handling of the crisis. Mr Ken Roman, the former chairman of Ogilvy and Mather and now an executive vice-president of American Express, is enthusiastic about Perrier's management of the problem:

By Paul Abrahams, Paul Betts, Will Dawkins, Alan Friedman, Philip Rawstorne and Ian Rodger

"They had no other choice but to do what they did. Given that the brand is positioned on purity, if there had been any compromise their trust would have gone," says Mr Roman, adding that he does not think Perrier over-reacted.

Ms Elizabeth Butson, a vice president of new products at Philip Morris, the food and tobacco giant, agrees with Mr Roman but feels Perrier could have gone one step further by "running an ad campaign explaining that they didn't need to recall the bottles and did it to show their customers they have the highest standards of quality."

Ms Hellen Berry, associate director of marketing research at the New York-based Beverage Marketing News, blames Perrier for having changed its story on Wednesday and for having first halted worldwide production at the weekend, then started it again on Monday and then stopped it again and ordered a global recall. "I think in public image terms they've done themselves a lot of harm," she says.

Will the benzene problem cause lasting damage to US sales? Ms Berry says it is hard to know "because the American consumer is too fickle." She warns, however, that the longer Perrier is off the market the worse the damage will be: "People are going to get used to San Pellegrino and other products and by the time Perrier comes back many might say 'What do we need that little green bottle for anyway?'"

Mr Roman says Perrier is what ad men call a "badge" product. "Most people on a blind taste test can't tell the difference between gin and scotch or between two beers. When people order Perrier they are really saying something about themselves. It's the Yuppie drink. It's not a taste thing. It's an image thing."

This week that image was temporarily in question. And American reactions ranged from indifference to the shopper at a Texas supermarket who told the New York Times: "Anything with a name I can't pronounce I don't drink."

In the world's other big fashion-conscious market, Japan, the benzene scare has scarcely been noticed. The bottled water market is still quite small there, though growing rapidly. Media coverage has been modest and those in the trade think the negative effects of the incident may be modest and short-lived. Suntory, the huge drinks group which distributes Perrier in Japan, says it cannot forecast the impact of the bad publicity. "If it means a gap of only about 40 days in marketing, we think we can recover quite quickly," a spokesman said.

Perrier Japon, the subsidiary of the French company which imports Perrier water into the country, said it would take about a month to re-stock. The company said it was waiting for the results of tests of its product taken by the Japanese Ministry of Health. These would be available next week.

A spokesman for the National Refreshment Drink Association said yesterday that the Perrier affair was "an unthinkable accident." He said sales of bottled water were just beginning to take off in Japan and the incident might hurt growth prospects.

In France, the scare has provoked little public concern. And in Vergèze, the town in southern France where Perrier is produced, the prevailing mood is heavily tinged with anti-American sentiment. In the town bars, the workers from the factory complain that the US authorities have made a fuss about very little. They point out that if someone drank a third of a litre every day of contaminated Perrier for 30 years he ran an additional risk of contracting cancer of only one in a million.

Perrier's actions are the short-term price the company has decided to pay to limit more substantial long-term damage. Much now depends on how quickly Perrier can resume supplies to the world's supermarkets; and the skill and intensity of the marketing support for the re-introduction.

The hope is to restock retailers within three to four weeks. In London, Leo Burnett, the agency responsible for Perrier's UK advertising in the past decade, is already working on a campaign to reassure customers once the water is again available. In the US, however, the delay before bottles are back on the shelf will be, according to the Perrier subsidiary there, 2-3 months, with lost revenues of $40m.

Even if the recall policy fails fully to restore Perrier's sparkling image, the company itself is well protected against any attempts to take advantage of the benzene scare. Around 65 per cent of the shares are in friendly hands, with 20 per cent owned by the Mr Leven family and 13 per cent by Perrier's own interests.

The remaining 32 per cent is owned by Exor, a curious investment group representing the interests of the Mentzelopoulos family, which made its fortune building up a chain of corner supermarkets. Exor's loyalty is firm, since its deputy chairman, Mrs Corinne Mentzelopoulos – also managing director of Château Margaux, the famous claret – is married to Mr Leven's nephew, Hubert, the main candidate for dauphin to the Perrier throne. Mr Leven senior knows very well that the cost to any bidder of trying to break through these defences would be prohibitive. "Our capital is locked up," he recently told a French business magazine.

And Mr Leven has one other resource to fall back on. A large chunk of the company's annual profits comes from his inspired investment dealings – easily enough, on the evidence of recent years, to cover the estimated FFr 200m net cost of the benzene scare. He has taken Perrier in and out of a wide range of businesses – from pay television to Lindt & Sprüngli chocolates, to take two recent examples – picking up spectacular profits on the way. The group's FFr 1bn net profits in 1988 include a net FFr 318.9m net exceptional gain from Mr Leven's dealings, a little more than the year before.

"Fundamentally, Gustave Leven is a gambler, but a gambler of very high class," explains a stockbroking friend.

The recall of Perrier this week confirms that reputation. Just how classy a gamble that decision was will become clear once the green bottles go back on the world's supermarket shelves and restaurant tables.

Andrew Marshall and **Gary Mead** *describe Falkland Islands sentiment on sovereignty*

Hostilities that still run deep

Peace has finally broken out between Britain and Argentina. Diplomatic relations resumed on Thursday and ambassadors will shortly be exchanged. Hostilities between the two countries, which began when Argentina invaded the Falkland Islands in 1982, ended last October. All trade restrictions have been removed.

But the dispute that began it all, over the sovereignty of the Falkland Islands and a clutch of other South Atlantic islands, continues, as does the British military presence. Antagonism in the Islands to Argentina is stronger than ever.

One of the best ways to see the sprawling archipelago, which is about 150 miles wide, is from an RAF Hercules transport aircraft. From the air it is hard to imagine that anything ever happened here, let alone a war. For miles there are no houses, no roads, no sign of settlement. Tiny whitewashed settlements shelter by the huge expanse of Falkland Sound, which divides the two main islands; beneath its waters lie the hulks of ships and aircraft from the bloody battle eight years ago.

Fast and low over the horizon, the grey shark-like shapes of Phantom fighters appear. The aircraft are testing their readiness to defend the Islands from Argentine attack. They, like the Hercules, are from Mount Pleasant Airport, one hour's drive from Stanley, the capital. The airport and the complex beside it are a reminder of the military presence that has been a constant of life in the islands since 1982.

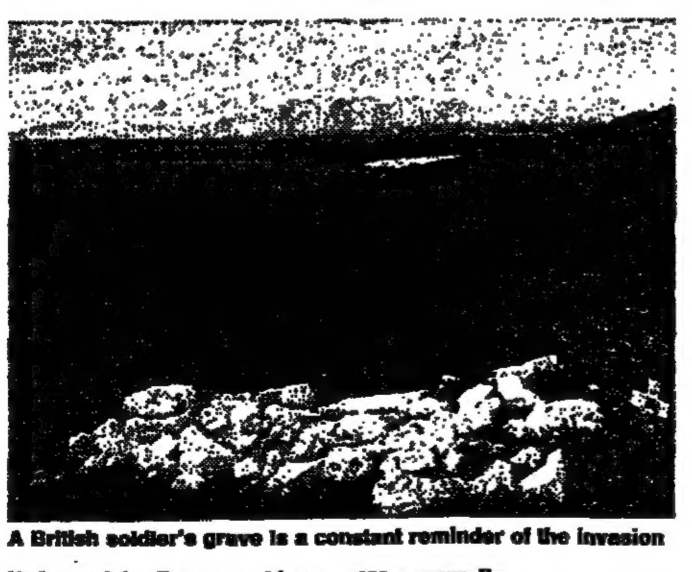
The four Phantom fighter crews of 1435 squadron had no doubt of their ability to hold off any threat of Argentine attack, peace or no peace. When they departed after a tour in the islands they left behind a mural of President Carlos Menem and some doggerel: "El Presidente Menem, live in fear, of real men who can hold their beer – End of Hostilities, October 1989." Not quite as famous as Dr Johnson's description of the Falklands themselves – "the undiluted lords of tempest-beaten barrenness" – but written with just as much feeling.

The servicemen's sentiments, if not Dr Johnson's, would be echoed by almost all of the 2,000 Falkland Islanders. They maintain that the warming of relations between London and Buenos Aires is a matter of indifference. "As long as we stay under British control then Britain and Argentina can do what they like," said Mr Jim Stevens, editor of Stanley's newspaper.

But scratch the surface and a deep hostility remains. The islanders speak with one voice on this issue: no links, of any kind, with Argentina. This is not simply the product of distrust and antipathy following 1982's invasion and occupation. It is also a matter of developing economic self-confidence.

Mr Gerry Robson, elected as a councillor in October 1989, says that "we have got to stick to our guns and say that they [Argentinians] have no interest whatsoever in our economy. They can't even manage their own. We have a clear mandate from our electorate for that standpoint." Three candidates from the Desire The Right party failed to win seats in the election, because they dared to air the idea that they might be willing to talk to Argentina about fisheries conservation.

Before the war, Argentina provided the Falklands with regular air transportation, petrol, natural gas and other services. Since the conflict the Falklands have taken steps to render superfluous any direct



A British soldier's grave is a constant reminder of the invasion

links with Buenos Aires. Nearly all supplies come from the UK, on Timmy the Trident, as the twice-weekly air service to Mount Pleasant Airport is known. A regular ferry runs between Stanley, Punta Arenas in Chile and Montevideo in Uruguay, carrying up to 1,400 tonnes of cargo and 20 passengers. Negotiations are under way to start air links with Chile, and the educational and health facilities once offered by Argentina have been superseded by those available either on the islands themselves or in Argentina's two neighbours.

The islands have also underpinned their own economic future with a highly lucrative fishery, where Korean, Japanese, Polish and Taiwanese vessels fish for illex and loligo squid, whiting, and hake.

Though a sheep still bestrides the Falkland flag, fish have displaced wool as the the main source of income. Through licensing foreign vessels, the Falkland Islands Government makes in the region of £30m annually.

Search high and low on the islands for a sympathetic hearing of Argentina's case and the best that might be found is expressed by Mr Robin Lee, who runs a farm and hotel at Port Howard, on West Falkland. "I think a solution must be found which tells the Argies that in 200 years or so they will get the islands. Meanwhile, give them the right to raise the Argentine flag once a fortnight on Mount Usbourne, and that's that. But not everyone would share my opinion."

Given this hostility, few Falklanders will be happy with the concessions which Britain made at the Madrid talks, agreeing to lift the 150-mile radius Falklands Islands Protection Zone around the islands in exchange for a framework of mutual agreement for military activities. Some will remember the British Government's attempts to find a solution to the sovereignty problem in the early 1980s. "If there is one group of people the Falklanders mistrust more than the Argentinians, it is the British Foreign Office," said one observer.

But there are still restrictions on Argentine military movement, though within a narrower band. The protection zone has been reduced, in effect, but not totally removed. Mr John Cheek, a former councillor and an influential figure in the fishing industry, said yesterday: "I think there may be some initial concern about lifting the protection zone but when people understand what replaces it they will be satisfied."

There is no likelihood of reductions in the British military presence at Mount Pleasant Airport, which, according to Major General Philip Stevenson, Commander of British Forces in the Falkland Islands, is already down to its bare essentials. Nor does the lifting of the protection zone imply any lowering of vigilance. As one diplomat put it: "The British forces at MPA are bound to preserve what might be called a mental protection zone, which since they can detect movements on the Argentine mainland is actually far greater than the previous 150 mile perimeter."

There is likely to be a final precaution. The whole edifice of the Madrid agreement may tumble down if Argentina's shaky civilian democracy proves to be short-lived. "In the fine print you can be sure to find a clause which says the British can rip the whole thing up if Menem is pushed out by the military," is the view of a close observer of the agreement. The Falklanders have all the guarantees compatible with an easing of Anglo-Argentine relations. But given their suspicions of British intentions they may still not find that terribly reassuring.

MAN IN THE NEWS

Nelson Mandela

Power to unlock his country's future after 27 years

By Michael Holman

Harold Macmillan would have approved. A few hundred yards from the Parliament where the British Prime Minister urged white South Africa to take heed of the wind of change sweeping through colonial Africa, President F. W. de Klerk last Saturday gave notice that it had reached Cape Town.

Thirty years after Mr Macmillan's warning, Mr de Klerk announced to South Africa and the world: "Mr Nelson Mandela will be released at the Victor Verster prison on Sunday 11th February 1990 at about 1500 hours."

It marked the start of a week of stunning images and extraordinary scenes – inspiring for blacks, traumatic for some whites – as the man who for 27 years had been a symbol of resistance to apartheid began to imprint his personality on South Africa.

The first picture of Mr Mandela showed him tall, slim, grey-haired and lined, formally posed alongside Mr de Klerk. It looked for all the world as if the African National Congress leader was the president and his white compatriot a member of his cabinet.

A few dozen symbolic steps to freedom from Victor Verster and a chaotic freedom rally in Cape Town were followed by a masterly press conference at which Mr Mandela handled the media as if he were a seasoned US presidential campaigner rather than a newly released political prisoner enjoying his first full day of liberty.

It was the first of many press conferences and meetings at which Mr Mandela has been emphasising three key themes:

- There would be no let-up in pressure on Pretoria, externally or internally. Sanctions must stay and the armed struggle would continue but all the time Mr Mandela has been stressing that the ANC was "committed to peace".
- He appreciated white fears about the possible consequences of majority rule: "We understand those feelings and the ANC is concerned to address that problem."
- Nationalisation of the country's mines and other key industries would be an essential part of the ANC's efforts to redress economic inequalities created by apartheid.

Whatever its impact on white South Africa and in the West, where many investors expressed dismay at the prospects of nationalisation, it reinforced Mr Mandela's standing in the black community. Always dignified, with the aura of a mythical figure come to life, among black South Africans the 71-year-old nationalist leader enjoys the status of another Gandhi.

White South Africa, however, *is still coming to terms* with the man once denounced as a terrorist. By the end of the week he was in their living rooms, courtesy of the state-owned South African Television. Against a backdrop of the black, green and gold banner of the ANC, Mr Mandela spent 30 minutes courteously but firmly defending his party's policies under questioning from two interviewers.

With an almost headmasterly air, he made clear that he stood by his reaffirmation of the need to continue the armed struggle, defended his nationalisation policy, expressed his understanding of white fears and promised that white domination would not be replaced by black domination.

Such sentiments, aired at prime time on a television service that used to be positively east European in its treatment of the news, must have been enough to make the average white viewer nearly choke on his snack of boerewors.

The Government would not have taken the decision to give Mr Mandela such exposure lightly. But it would seem that in the three years of intimate talks with government ministers that preceded his release, Mr Mandela convinced his jailers that he stood for a peaceful settlement, *notwithstanding* the rhetoric of war.

That rhetoric has none the less rendered more difficult the task of convincing a majority of whites that change is both inevitable and desirable.

On the same night that Mr Mandela was speaking on *South African television*, a huge rally organised by the extreme right Conservative Party was protesting against his release, the unbanning of the ANC and the South African *Communist Party* and Mr de Klerk's other reforms.

In last September's parliamentary election, the Conservatives won a third of the white vote. National Party officials readily admit that were there to be an election today, Mr de Klerk's reforms would on balance be a vote-loser; support from the liberal Democratic Party would not make up for the desertion of former National Party members to the Conservatives.

But a general election need not be held before 1994, and the Government *intends* to put whatever agreement emerges from negotiations with the ANC and other parties to the test of a referendum rather than an election.

Government officials believe that the benefits of such a settlement – an end to political violence and the problem of sanctions – will help win a majority in such a test of white sentiment. The real danger from the extreme right lies in its disproportionate strength in the police and army.

But difficult as President de Klerk's *responsibilities are*, Mr Mandela faces an equally demanding task of providing leadership for a divided and impatient black South Africa.

By the day, the complexity of the ANC leader's role becomes more apparent. As he struggles to come to terms with the world *outside his* prison – which has undergone fundamental economic and political change in the quarter century of his imprisonment – he must balance the demands of competing factions within and outside the ANC.

At the same time he has clung to outmoded economic concepts, and sometimes uses language which suggests that he is – understandably – out of touch. He continues to support nationalisation and describes the South African economy as "in ruins."

The ANC itself is fractious. It has been caught off-guard by the boldness of President de Klerk's reforms, is dismayed by the collapse of its erstwhile allies in eastern Europe, and is *being pressed into what it fears* would be premature negotiations with Pretoria by its main ally, the Soviet Union. Its military capacity has been severely constrained by the ousting of its guerrillas from their bases in black states neighbouring South Africa.

Under the party's umbrella shelter a range of opinions, from the influential South African Communist Party – probably the only such party in the world whose credibility has not been destroyed – to conservative African nationalists.

Beyond the ranks of the ANC, Mr Mandela has to cope with Chief Mangosuthu Buthelezi's Inkatha movement, whose rivalry with ANC supporters in the province of Natal has cost some 2,000 lives in the past two years.

Above all, Mr Mandela and Mr de Klerk have between them to preside over a process without precedent in Africa. The radical political changes which Mr Mandela seeks and which Mr de Klerk may well concede, have to take place in parallel with a long overdue economic reform programme now under way, designed to cut government spending and privatise state enterprises.

Even assuming Mr Mandela backs away from nationalisation, it is a demanding combination for a new government that will have to meet black expectations. But Pretoria seems convinced that if anyone can handle these challenges, it is Mr Mandela, and the sooner they are tackled the better.

A senior member of the ruling National Party last week described his sense of relief at finally coming to terms with what he readily acknowledged was a process leading to black majority rule:

"It was first *a small flickering* flame, then getting steadily bigger." There were lessons, he said, to be drawn from Rhodesia, where the release of black nationalist leaders in 1974 was not followed up by realistic negotiations. The country's guerrilla war intensified. Most of the 30,000 victims of the conflict died in fighting between the prisoners' release and the Lancaster House settlement talks at the end of 1979. The official pointed to a recent local television interview in which Mr de Klerk urged South Africans to "look back in history a little."

"I think great mistakes were made in Rhodesia. When the opportunity was there for real, constructive negotiation, it was not grasped," said Mr de Klerk. "Insofar as things went wrong, they went wrong because in the reality of their circumstances (white Rhodesians) waited too long before *engaging in fundamental negotiation and dialogue.*"

Both sides in South Africa now seem willing to keep up the momentum. A delegation from the ANC will shortly be meeting Mr de Klerk in an effort to resolve remaining obstacles before formal talks can get underway. Hard bargaining most certainly lies ahead, but neither Mr de Klerk nor Mr Mandela want to see a repetition of the costly mistakes in Rhodesia.

Earlier this week, Mr Mandela declared: "We will seize *the earliest opportunity of settling* our problems through peaceful means." The forthcoming ANC meeting with President de Klerk provides an opportunity earlier than many observers had expected.

Borrowers strained in a rigorous market

David Barchard reviews the background to Abbey National's raising of its mortgage interest rate

"WE ARE doing this because our savers deserve a better rate," said Mr John Bayliss, Abbey National's managing director of retail operations, at a hastily convened press conference in London on Wednesday. His group, the second largest mortgage lender in the UK, had just startled the markets by pushing up its mortgage interest rate by 0.9 percentage points to 15.4 per cent, so enabling it to add 0.75 percentage points, net of tax, to its rates for savers.

Abbey National's decision to *move its rates was a bolt from* the blue, which took even the staff at its Baker Street headquarters by surprise. It set a level which others seem likely to follow, as Nationwide Anglia *did yesterday, bringing* the total number of borrowers affected above 2m. It also underlined the significant changes currently affecting Britain's retail banking industry and reshaping the way in which building societies attract investors' funds.

Up to now, it was not Abbey National but its larger rival in the mortgage business, Halifax Building Society, which led the way on interest rates. Although there has been no formal cartel in the industry for nearly six years, Halifax has traditionally set the mortgage rate, and that in turn *determined rates paid to savers.*

Abbey National's decision shows that rates to savers are *now calling the shots. In* effect, the last vestiges of the old pricing cartel between Abbey National and Halifax have disappeared. Abbey National, now a fully-fledged retail banking group that was cut free from the world of building societies by last July's stock market flotation, has gone it alone. And the battle for funds between building societies, banks and other players is intensifying.

An early sign of the new competition was provided by Halifax itself last May. When *base rates moved up to 14 per* cent in that month, Halifax decided to keep its mortgage rate at 13.5 per cent. This was strikingly out of line with building society practice during most of the 1980s, which generally kept the mortgage rate hovering between 1 and 1.25 per cent above money market rates. But Halifax had decided to absorb the costs in order to undercut new competitors such as the mortgage companies and foreign banks who cannot hold their rates below those of the money markets for long. On this occasion and after a further rate rise in October, the other building societies fell into line with Halifax.

In holding their lending rates down to win mortgage *business, however, Halifax* and the other societies had to squeeze their rates to savers.

For most of last year this did not pose any problems. After the stock market crash *of October 1987 small savers* scuttled for safety in building society deposits, keeping monthly inflows at record levels above £1bn. With unit trusts and stock market investments out of favour, many societies found during 1988 and early 1989 that they had more funding than they could easily lend in mortgages. The result was an increase in the building societies' share of the mortgage market from 50 to 71 per cent between 1987 and the second quarter of 1989.

But since last summer, the market for savings has tightened considerably, and not just because of such one-off events as the Abbey National and water industry flotations. *Net receipts by the building* societies in the fourth quarter of 1989 were £1.05bn, compared with £3.16bn a year earlier – although admittedly the 1988 figure included Abbey National, while last year's did not.

Even before Abbey National left the industry in July, building society savings had slipped to 38 per cent of total personal sector liquid assets from 48 per cent a year earlier. Clearly, the competition is becoming cut-throat.

"I believe that the improved *deposit rates of the banks have* taken more business away from building societies than is generally realised," says Mr John Wriglesworth, building society analyst at UBS Phillips & Drew.

The pressures from the savings markets have affected the top 20 building societies unevenly. While the giants such as Halifax and Nationwide Anglia seem to have been hardest hit, other top 20 societies such as Cheltenham & Gloucester and Skipton did well. They rely on relatively small branch networks, and so keep down their costs, while using advertising to bring in "off the page" customers.

"The banks are not hitting us at all," says Mr Terry Adams, managing director of Skipton. "With lower costs based on a low branch network, we can afford to pay a bob or two more to investors."

Early in 1990, building societies hit another problem on *the savings side of their business.* It arises from the independent taxation of married women. Families with up to £20,000 of surplus cash can make a substantial gain if the husband irrevocably transfers the money to his wife who then finds an investment which pays interest without deducting composite-rate tax.

Offshore subsidiaries and branches of UK banks are able to pay interest gross to any individual. Only a handful of building societies, with subsidiaries in the Isle of Man, are able to do this – and they are not allowed to advertise it. Some funds are already moving away from the societies before the change takes effect in April, a fact which can only *intensify the savings squeeze.*

The present standard mortgage interest rate of 14.5 per cent is already only half a percentage point below the highest-ever level for the societies, the 15 per cent of October 1981. That was in a less rigorous market when it was commercially much easier for lenders to be tolerant on payment arrears.

Matching Abbey National's 15.4 per cent mortgage rate will not only kill off hopes of any early revival of the housing market. It will place even *greater strain on the growing* number of borrowers (of which there are said to be about 550,000) currently around two months in arrears with their payments. How long will the market be able to stand it?

LETTERS

How to curb pollution and the company car

From Mr R. Etchells.

Sir, A great deal has been written about the value to the user of the company car perk and the fact that it ought to be reduced in fairness to those who pay for their cars out of taxed income. Much has also been written about the pollution caused by cars and the need to take drastic action to reduce it.

I hope the Chancellor will take these needs seriously and use his powers to bring about some improvement. May I make some suggestions, some *of which he could adopt.* Others would require action from elsewhere:

- Tax on company cars to be increased so that the in-pocket benefit would not be more than £200 a year, regardless of the status of the executive. Full purchase cost, including insurance, maintenance, and extras such as sunroof and tinted glass to be included in the calculation.
- No tax allowance at all to the user or the employer for any car above 1500 cc – thus the user might as well buy his own.

If a company feels that a larger car is necessary to bolster someone's status, the full cost should be met without assistance from other taxpayers.

- Increase tax to raise the *price of petrol to French levels.*
- Reduce annual road tax from £100 to a nominal £10.
- Any car, private or company-owned, which can do better than 0-50 mph in 10 seconds to have extra purchase tax imposed of £1.20 per cc.

Not many years ago, acceleration from 0-50 mph in 10 seconds was regarded as sprightly. Nowadays we see cars which do 0-60 mph in less than three seconds, coupled with sales talk about "being able to out-accelerate the car in the next lane." This rate of acceleration is dangerous to pedestrians and it also causes undue pollution.

- A maximum speed limit of 65 mph to reduce pollution.
- The built-up area speed limit of 30 mph to be reduced to 25 mph. This would cause *aggressive drivers* to lift the accelerator a little earlier and reduce pollution and would not significantly increase journey times.

There is far too much pressure on people to have company cars as a perk.

I know someone who, in the 1970s, was told he was to have a company car as part of his salary. He said he would prefer to be paid in money and offered to take only *half* the cash benefit of a car. This alternative was refused, so I can only assume that his employer also gained benefit out of the tax system in some way which I do not understand.

I have little doubt that the sort of measures I have outlined will meet with horror and derision, but I feel that some *government must eventually* move on lines similar to these. Why not sooner, rather than later?

R. Etchells,
19 St George's Crescent,
Queen's Park,
Chester

No cause for MPs to protest

From Mrs Jill C. Pagan.

Sir, Let me clear up a misunderstanding of Mr John Newman's (Letters, February 13). The tax relief that is being claimed for the write-off of Third World debt is not granted by some kind of concession or statement of practice which only applies to banks. The banks claim tax relief under the general provision in Section 74(j) Taxes Act 1988 which permits a deduction for "bad debts proved to be such and doubtful debts to the extent that they are respectively estimated to be bad."

A sovereign state cannot be put into liquidation or receivership once it has difficulty in meeting its obligations, and accordingly it will be impossible to prove that an actual debt is bad. Therefore it is the second provision in Section 74(j) which applies, namely that of a doubtful debt.

The relevance of the Bank of England's guideline is that it provides independent evidence to support a claim that particular Third World debts are doubtful and an indication of the appropriate amount that should be written off. There is no special non-statutory relief for banks and no basis for parliamentary protest.

Jill C. Pagan,
J.F. Chown & Co,
51 Lafone Street, SE1

The heat and power mode

From Professor N. Kurti.

Sir, It was heartening to read in the Energy Secretary's statement ("Electricity price worries," February 13) about the financial incentive to run generating plant in the combined heat and power (CHP) mode and thus to make use of the waste for heating houses. This is in marked contrast to the statement of Mr John Collier, chairman of the UK Atomic Energy Authority and chairman-designate of Nuclear Electric plc, who seems to regard the replacement of fossil-fired by nuclear power stations as the most desirable way to alleviate the greenhouse effect.

A doubling of our present nuclear electric capacity – Mr Collier regards trebling as "an ambitious target" – would reduce carbon dioxide emission by about 75m tons per year. This should be compared with a reduction by 91m tons if one quarter of the country's heating load were provided by CHP as recommended by the Energy Department's working group.

It is hoped that the importance of CHP is mentioned in the UKAEA's pamphlet for schools and that they are not being subjected to one-sided propaganda.

N. Kurti,
Department of Engineering Science,
Oxford University

Engaged in the search for Europe's non-existent black hat

From Mr James Murphy.

Sir, Having read Lucy Kellaway's report ("All fine and dandy in European Market," January 25) on the attempt being made by Mr Bernard Cathelat, doctor of psycho-sociology at the Sorbonne, to construct a model of Euro-types (Euro-romantic, Euro-moralist etc), one can but wish him well, but there must surely be less commercial value in this approach than meets the eye.

It is understandable that, as companies pursue new economies of scale at the marketing and advertising level in response to the stimulus of 1992, they might assume that there is a Euro-typology available which will allow them to address the continent's 321m customers. For some time now, academics, marketeers and advertising agencies have wrestled with notions of Euro-clusters – supra-national methods of categorising people irrespective of language or location. The Cathelat project *is yet one more attempt.*

The arguments against over-dependence on such an approach are not hard to itemise. Mr and Mrs Average European will not easily be squeezed into however many neat categories. For one thing, the approach will inevitably underestimate the power and the problem of language – a force which obviously locks consumers inside a national and/or regional culture. There may well be little point in companies trying to create a new commercial Esperanto – a marketing language created in a sociologist's laboratory – when what defines and differentiates us as people is the fact that we all speak/think *English, French etc* (and precious little else).

Moreover, the approach creates a generalised and indeed static model of consumer behaviour which can be of little value to companies considering product launches, product repositioning or changes in product composition.

It is the intellectual's desire for order in the universe which allows him to see 16 categories of Europeans emerging from market research, questionnaires, interviews etc. But it is not for business people to hope naively for order and stability. Rather they should understand and exploit the dynamic diversity of consumer values.

Doubtless Mr Cathelat will produce valuable research, but when it comes to the question of whether his work will resolve some of the crucial marketing dilemmas which 1992 creates, I fear he may resemble a man in a dark room looking for a black hat which is not there.

James Murphy,
The Henley Centre for Forecasting,
2 Tudor Street, EC4

A training strategy for Labour

From Mr Peter Ashby.

Sir, Mr Kinnock is right to look again at Labour's plans for achieving a "massive expansion of training throughout industry" ("Kinnock leaves way clear to forge stronger business links," February 7). He would be well-advised to put on ice the party's proposal for a statutory payroll levy, which poses a major barrier to achieving the broad basis of industrial support to which the Labour Party is now committed.

Where the Labour leader should not delay is in spelling out what he sees as the essential *foundations of a national training strategy.*

First, Mr Kinnock should pledge that an incoming Labour Government would require all employers, by law, to draw up proper training *plans in conjunction with the* Training and Enterprise Councils. This could win much support from the employer board members of the new councils, who know only too well how much our economic performance is undermined by the failure of three out of every four employers even to have proper training plans.

Secondly, Labour should recognise the limitations on training that employers should be expected to finance themselves. It is not their responsibility to train employees to prepare for new occupations. Instead, training for job mobility should be asserted as a joint responsibility between the state and the individual.

That is why Labour should press for training vouchers to be introduced to finance training for new occupations. Vouchers should be matched by low-interest loans, borne by individuals themselves, to promote the philosophy of *self-investment* as the key to a new training culture. Vouchers and loans could literally transform the career prospects of many low-paid and unskilled workers currently shut out from the training system.

This twin approach would not only help Labour at the ballot box, but might even persuade the Government to change tack on training long before the votes are next cast.

Peter Ashby,
Full Employment UK,
4 Europa House,
St Matthew Street, SW1

UK COMPANY NEWS

US and Portuguese acquisitions add significantly to overseas links

Royal Bank in £137m expansion

By James Buxton, Scottish Correspondent

ROYAL BANK of Scotland yesterday spent £137m buying a small US bank and an interest in a bank in Portugal. The two unrelated acquisitions are significant developments of the overseas links which the Royal forged in 1988 in the US and continental Europe.

Citizens Financial, the Royal's subsidiary in Rhode Island, New England, has agreed to buy BankWorcester, which is based in Worcester, Massachusetts, for $149m (£88m), equal to $22.50 per share. BankWorcester is quoted on the NASDAQ over the counter market.

The Royal has also bought a 19.9 stake in Banco de Comercio e Industria, a privately owned commercial bank in Portugal, at a cost of £48.8m. It has taken the stake in alliance with Banco de Santander, the Spanish bank with which it has cross-shareholdings.

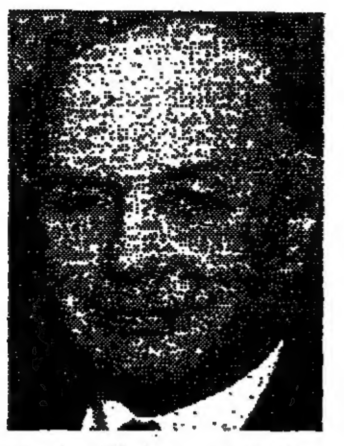
Banco Santander is increasing its stake in Banco de Comercio e Industria from 10 per cent to 29.9 per cent by buying extra shares. The two banks' combined 49.8 per cent holding gives them effective control.

Royal says it regards BankWorcester as a well-managed, conservative institution with a strong balance sheet. It says it is well capitalised, has no exposure to LDC debt and no energy loans. It operates in an adjacent state to Citizens and is only 40 miles from Citizen's base in Rhode Island.

BankWorcester had total assets of $1.16bn at the end of 1989 and made profits before tax and provisions of $27.7m, compared $22.5m in 1988. The acquisition terms represent a ratio of 1 times book value at end 1989. The bank was capitalised on February 14 at $96m.

Mr Charles Winter, Royal chief executive, said: "We see this acquisition as an important step in the pursuit of our long term strategy in the US. It will enable Citizens to develop an important new market in Massachusetts and increase the customer base available to it for the cross-selling of new products."

The purchase is conditional on regulatory consents in the US and UK and approval by



Charles Winter: an important step in long term strategy

BankWorcester shareholders. Royal expects to finance the purchase without recourse to its shareholders.

Banco de Comercio e Industria is one of the few privately owned Portuguese banks and has expanded rapidly since it was founded in 1986. Its profits have grown from £400,000 in 1986 to £6.3m in 1988 and to £15.2m in 1989. Since 1986 total assets have risen from £46.2m to £428.3m.

It has 33 branches mainly in northern and central Portugal and a clientele of corporate and high net worth individuals.

Dr George Mathewson, director of strategic planning at Royal, said the deal had "double synergy." There was fast growing trade between Portugal and Spain, which the Spanish bank would exploit, while the Royal would be involved in Portuguse trade with Britain and in attracting business from the large number of British expatriates in Portugal.

The joint stake will be managed by Banco Santander though Royal would have a representative on the board.

When Banco Santander formed its alliance with the Royal each took a 2.5 per cent stake in the other. Banco Santander has increased its stake in the Edinburgh-based institution to 10 per cent. This stake cannot be sold or voted without Royal's consent.

Mercury Asset share buy-in

By Clare Pearson

MERCURY Asset Management yesterday said it planned to buy in shares from its shareholders and also to pay them a dividend for the year to end-March which is 50 per cent higher than last time.

The buy in helps Mercury's majority shareholder S.G. Warburg, the investment banking group, maintain its 75 per cent holding even after executive share options become exercisable for the first time next month. This is because Warburg will not be participating in the scheme.

The plan is to buy back just 2.5m ordinary shares, representing 3.4 per cent of the maximum eligible, at a price of 650p, against last night's close of 665p.

Mercury Asset is now poised to join a small but growing band of companies to have made share repurchases, which have long been commonplace in the US but have only recently gained ground in the UK. The list so far includes companies as varied as BAT, Kleinwort Benson, the merchant bank, and Helical Bar.

In addition to a substantially increased dividend payment of 22.5p (15p), Mercury is forecasting pre-tax profits of not less than £58m (£42.1m). It said trading had remained favourable since the interim results.

Mr Peter Stormonth Darling, chairman, said of yesterday's proposals: "We see this as putting our money where our mouths are."

He said Mercury had capital at least two times in excess of regulatory requirements. Consolidated capital resources at 31st December were in excess of £105m and could shortly rise by up to £5m when options first become exercisable.

Some 970,000 shares – half of the total under option – spread between 10 directors become exercisable on March 4.

The buy-in would also benefit earnings per share while having taxation advantages for certain shareholders. These arise from the division for tax purposes of the disposal proceeds into an income element, treated as a distribution, and a 129.5p per share capital element.

The proposals are subject to shareholder approval at an egm when they will also be asked to approve facilities to buy in up to 5 per cent of the issued share capital.

See Lex

Tribune net asset value increases

Tribune Investment Trust had a net asset value of 294.1p at end-December 1989 compared with 218.2p a year earlier.

Earnings were 6.78p (4.81p) and a final dividend of 4.35p is proposed for a 5.2p (4p) total.

Gross revenue for the year amounted to £8.76m (£5.29m).

FKI profits to be substantially below market expectations

By John Thornhill

FKI, the electrical products group which was demerged from FKI Babcock last summer, warned yesterday that pre-tax profits for the current year would be substantially below market expectations because of a disappointing second half trading performance from Babcock Industries in the US.

The directors estimated that in the year to March 31 1990 pre-tax profits would be about 20 per cent lower than the £83.8m achieved from continuing activities last time round. Analysts had originally been looking for around £77m but in recent weeks had been revising that figure downward.

FKI's shares have been under pressure for some time given the company's known exposure to the faltering US car market and they shed only 2p yesterday to close at 58p.

Mr Norman Scoular, FKI's chief executive, said there were three principal reasons for Babcock Industries' poor results:

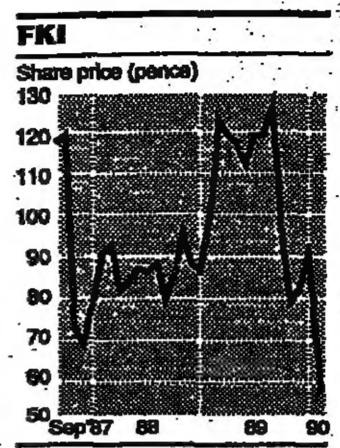
- A disappointing performance from three of the five divisions in the materials handling field. Some troublesome contracts had resulted in losses and would take several months to sort out, Mr Scoular said. Senior management has now been changed, the work force has been cut, and the Welland Forge business would be sold off. But despite the problems,the division as a whole had traded at a profit.
- Severe market conditions in the automotive market. About 40 per cent of Babcock Industries' $800m turnover relates to the US car market where sales have been badly hit. In particular, Babcock has about one-tenth of its business with Chrysler. Last week, the US car manufacturer week reported a $664m (£415m) fourth quarter loss.

Mr Scoular said it was not only sales volumes that had been affected. "It is also price pressure and over capacity."

- A softening in demand in other areas of Babcock's operations.

Mr Scoular said the company's difficulties had been confined to the US and that although FKI's UK-based electrical products group had faced tough competition it would still report results "close to the anticipated level."

Mr Scoular is now concentrating on resolving the current difficulties in the US. Mr Alan Baxter, who recently joined FKI from GEC, has taken over responsibility for the company's electrical products group.



Kleen-E-Ze concentrates on direct marketing

By Clay Harris, Consumer Industries Editor

Kleen-E-Ze Holdings intends to sell its manufacturing operations to concentrate on direct marketing. Its shares closed 15p higher at 148p after yesterday's Stock Exchange-inspired announcement, for a two-day gain of 43p.

The planned disposal means Kleen-E-Ze will no longer make the brushes and cleaning materials for which it is best known, but it will continue to sell them door to door.

Mr John Gough, chairman and chief executive, said one potential buyer was discussing the purchase of the entire manufacturing side, which includes rubber industrial seals as well as cleaning products, while another contender was interested only in part of the business.

Marketing and manufacturing each accounted for about half of Kleen-E-Ze's turnover of £46m in the year to September 30. The divisions achieved similar trading margins and suffered equally in the group's £2.88m pre-tax loss.

Although not naming a target, Mr Gough said proceeds should easily eliminate Kleen-E-Ze's year-end net borrowings of £3m.

F&C Enterprise

F&C Enterprise Trust announced a dividend for 1989 of 0.16p, against 0.14p from higher earnings of 0.17p (0.13p). Gross revenue increased from £1.41m to £1.73m. Net asset value at the end of the period was 45.3p compared with 38.5p.

Priest Marians merger approach

By Paul Cheeseright, Property Correspondent

PROSPECTS of a merger between Grovewood Securities and Priest Marians Holdings loomed large yesterday evening when it was announced that Grovewood had approached Priest Marians and might make an offer. Grovewood with construction, packaging and engineering interests on Thursday took a 13.8 per cent stake in Priest Marians, the property group.

But Grovewood's chances of taking full control of Priest Marians depend crucially on JMB Realty, the Chicago group which bought 25.1 per cent of Priest Marians and then topped up its shareholding. This is not likely to be defined until Monday at the earliest, when senior JMB executives are due in London from Chicago.

At yesterday's closing price of 278p, after a rise during the trading session of 13p, Priest Marians had a market value of £53.9m. But Grovewood indicated its view of Priest Marians' value by paying 300p a share in the cash element of its shares transaction. JMB Realty, however, paid 380p for its stake.

If a merger does take place, then Grovewood is likely to reverse into Priest Marians. At yesterday's price of 200p a share, it has a market value of £17m.

Grovewood is controlled by Mr David Holland, once chairman of Randsworth Trust, the property group taken over by JMB Realty. The attraction of Priest Marians for him is the ownership of the Langham Estate in central London, seen as a prime investment property. But Grovewood has few property interests and Mr Holland wants to increase them.

Talks between him and Mr Daniel Auerbach, the Priest Marians chairman, have evidently been cordial but said Mr Auerbach "they are not formal at the moment, they're just general talks between chairmen."

The two companies have had informal contacts in the past and minor commercial dealings when Priest Marians sold some residential property.

GrandMet sells 220 pubs for £45.8m to Control Securities

By Philip Rawstorne

GRAND METROPOLITAN is to sell 220 leased pubs to Control Securities, the property and leisure group which owns Belhaven brewery, in Dunbar, Scotland, for £45.85m.

Under the agreement GrandMet Estates will be paid £40m in cash over the next three years; and at completion will take a 2.5 per cent stake in Control, with an allotment of 9m ordinary shares at 65p, equivalent to £5.85m.

The deal will complete the reshaping of GrandMet's tenanted estate, leaving it with some 3,300 tenanted pubs in addition to its managed estate of 1,600 pubs and licensed restaurants.

Mr Bob Williams, chairman and managing director of GrandMet Estates, said yesterday:" GrandMet's tenanted pub estate has been the subject of a major upgrading over the last two years."

" Our tenanted outlets are being let on 20 year assignable leases through the Inntrepreneur scheme. Already more than 1,900 licensees have taken advantage of this opportunity. This represents some 60 per cent of the tenanted and leased estate." The pubs being sold were considered either too small or unsuitably sited for inclusion in the Inntrepreneur scheme.

Mr Nazmu Virani, chairman and chief executive of Control, said the purchase would increase the company's pub estate, mainly in the north of England, the Midlands, and Scotland, to 770, in line with its policy for growth in the sector.

It would have a positive impact on production at the Belhaven brewery which, with a capacity of 100,000 barrels a year, brews four ales and two lagers under Belhaven brands and undertakes contract brewing for Bass and Scottish & Newcastle.

Mr Virani welcomed the prospect of a GrandMet stake in the company as an ongoing investment. The two companies already have reciprocal supply arrangements.

The authority given to Control at an egm last month, to buy back more than 36m of its shares in the market, is not affected by the deal.

Bunzl makes £26.75m disposal

By Maggie Urry

BUNZL, the specialist manufacturing and distribution group, yesterday agreed the second of the three disposals it planned last September. It has negotiated a price of £26.75m for the bulk of its graphic arts business with Hunt Manufacturing, a US manufacturer of office and art/craft products. Bunzl's share price was unchanged at 109p.

Mr James White, Bunzl's chairman and chief executive, said that the disposal programme should be completed within six to eight weeks. The group has no acquisitions in view. Proceeds from the disposals will be used to reduce debt and will bring gearing down to "modest levels by our standards," Mr White said.

He said the group would then be able to concentrate on its four businesses – paper and building materials distribution, and filter and plastic manufacturing.

Yesterday's deal covers Seal Products, a US company, Seal's West German subsidiary, and Ademco and Coated Specialities in the UK. These businesses had assets of £8.1m and made a trading profit of £900,000 in the first half of 1989. Of the total price, £22m will be received on completion and the remaining £4.75m will depend on performance over the three years to end 1992.

Bunzl also said that the sale of EESCO, its US electrical products distribution business to its management, had been completed at a price of $84m (£50m), rather than the original $87.6m, as assets at the year end had been worth less than expected.

Negotiations to sell the rest of the graphic arts business were continuing with another purchaser, Mr White said. He said Bunzl was also negotiating over the sale of its two speciality paper businesses in the UK, with a number of interested parties.

Norfolk track record defended

By John Thornhill

NORFOLK CAPITAL Group yesterday set out its reasons for rejecting Queens Moat Houses £177m all-share offer for the hotels group. But its defence document was weakened by a dissenting accompanying letter written by two non-executive directors who resigned from Norfolk Capital's board on Thursday.

The two directors, Lady Joseph and Mr Tony Good, said they did not concur with the conclusions reached by the majority of the board and proposed to accept the Queens Moat offer in respect of their 8 per cent shareholding.

But at a press conference yesterday, Norfolk Capital's directors defended the company's record and strongly criticised Queens Moat.

"We see the Queens Moat offer as a cynical move to take advantage of Norfolk Capital's divided board," said Mr Anthony Richmond-Watson, chairman. "It is an opportunistic bid and is admitted as such by the chairman of Queens Moat."

The main plank of Norfolk's defence rested on a property revaluation which estimated that at the end of 1989, the company's net asset value stood at 53p per share. Norfolk said the Queens Moat offer worth 40.4p therefore represented a "wholly unacceptable discount of 24 per cent."

Norfolk also estimated that in 1989 operating profits would advance to £8m, an increase of 45 per cent, and that the annual dividend would be lifted by 22 per cent to 0.66p (0.54p). However, Norfolk forecast that pre-tax profits would advance only marginally to £5.5m (£5.34m) and earnings per share would grow to 1.11p (1.03p).

Mr Peter Eyles, Norfolk's managing director, criticised Queens Moat's hotel operations saying the company had been put together "more by accident than by design" and had been characterised by a "headlong dash for short term growth."

"There is no evidence to suggest that they would be able to improve the performance of Norfolk Capital's hotels," he said.

Mr Eyles also outlined plans to realise £75m from the sale of assets in order to reduce borrowings and increase Norfolk's earnings growth. In their letter to shareholders, Lady Joseph and Mr Good questioned the viability of these plans.

The share prices of both Norfolk Capital and Queens Moat remained unchanged yesterday at 41p and 103p respectively.

See Lex

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am't Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	–	101	93	Abtrust New Thai Inv.	96	+1	–	–	–	–
$	F.P.	–	61	45	Do. Warrants	46		–	–	–	–
–	F.P.	–	1½	¼	♦Atlantic Res. Warrants	1		–	–	–	–
100	F.P.	–	101	100	BZW Conv. Inv. Tst. 10p	100		–	–	–	–
–	F.P.	–	4¼	1	Bear Brand Warrants	2¼		–	–	–	–
$42	F.P.	–	45	37	*Biocure 1p	40	+1	–	–	–	–
†	F.P.	–	300	300	*Chartwell Group £1	300		N1.0	–	0.4	–
†	F.P.	–	215	215	*Citybond Storage Serv.£1	215		–	–	–	–
–	F.P.	–	49	38	First Philippine Inv. Tst.	41	+1	–	–	–	–
–	F.P.	–	22	17	Do. Warrants	20	+1	–	–	–	–
†	F.P.	–	59	57	Gartmore Emg. Pac.10p	57		M0.1	–	0.2	–
†	F.P.	–	26	23	Do. Warrants	24	-2	–	–	–	–
150	F.P.	–	145	138	Goldsmiths Group 10p	139		R5.1	1.8	4.9	12.9
$100	F.P.	–	108	103	Grosvenor Dev. Cap.	106	-2	–	–	–	–
$38	F.P.	–	43	38	*Image Store Hldgs. 10p	41		–	–	–	–
†	F.P.	–	665	616	Kyowa Bank Y50	647	+2	Q14%	4.7	0.5	46.6
100	F.P.	–	103	99	Lon. & New York Cr. Tst.	100		R6.38	–	8.5	–
$10	F.P.	–	608	575	Malaysia Eq. Fd. 10c	606	+23	–	–	–	–
$10	F.P.	–	223	221	Do. Warrants 10c	222	+1	–	–	–	–
$10.5	F.P.	–	660	609	Malaysian Smllr. Co's Fd.	651	+2	–	–	–	–
$	F.P.	–	299	233	Do. Warrants	295		–	–	–	–
–	F.P.	–	35	22	Merlin Intl Green Wrnts	33	-1	–	–	–	–
90	F.P.	–	93	81	Plateau Mining 20p	88		–	–	–	–
†	F.P.	–	11	8½	*Polysource Hldgs. 5p	8½	-¼	–	–	–	–
425	F.P.	–	40	25	♦Storm Group 1p	34		–	–	–	54.8
†	F.P.	–	16½	12½	♦Sorrey Group 5p	13½		R0.23	3.5	2.2	12.7
†	F.P.	–	195	190	Sutton Dist. Water A 1p	190		–	–	–	–
†	F.P.	–	138	128	Do. B 1p	128	-5	–	–	–	–
£2400	£1000	–	£1755	£1000	Water Package Units	£1748	+25	–	–	–	–
570	F.P.	–	79	70	♦Wiltshire Brewery 5p	76	+1	L1.5	–	2.6	–
240	100	–	189	100	Yorkshire Water	188	+1	R15.42	2.4	8.3	7.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	117p	115p	BZW Conv. Inv Tst. Units '96-2002 5p	115p	
-	F.P.	-	85p	71p	Bear Brand 10¼pc (Net) Cv.Cm.Pf	76p	+2
98.94	F.P.	-	99½	93⅝	British Inv. Tst. 11⅛pc Sec. Db 2012	93⅞	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -
25	Nil	4/4	6pm	3pm	Butlers	4pm	+1
5	Nil	27/3	1pm	¼pm	Lowndes Queensway 5p	¼pm	
190	Nil	21/3	26pm	16pm	♦Norfolk House 5p	22pm	+1
90	F.P.	–	93	90¼	Plateau Mining 20p	90¼	
127	Nil	6/3	47pm	22pm	♦Ross Group 10p	32pm	-6

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ‡‡ Reintroduction. ♦ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Feb 5
- Last Dealings Feb 16
- Last Declarations May 10
- For settlement May 21

For rate indications see end of London Share Service

Calls in **Oliver Res., Rosehaugh, Next, Amstrad, Gaelic Res.** and **Tuskar Res.** Put in **Marina Developments.**

ABB Kent advances 34% to £11.5m

ABB KENT (Holdings), for which Asea Brown Boveri (ABB), the Swiss-Swedish engineering parent is making an offer for the minority shares, lifted pre-tax profits by 34 per cent to £11.49m in 1989, writes Clare Pearson.

ABB yesterday posted its offer document to holders of the outstanding 25 per cent of shares in ABB Kent, the world's second largest maker of water meters which is also involved in valves, industrial measurement and process control equipment. The offer, worth 178p cash per share, values the company at £135m.

ABB Kent said it was paying a second interim dividend of 2.25p per share for a 4p (3.5p) total for the year. This would be paid when the outcome of the cash offer was known. Earnings rose to 8.9p (7p).

ABB Kent's turnover improved by 17 per cent to £152m (£130m). The company said there was a corresponding increase in order intake despite increasing competitive pressures in global markets.

On the merger, ABB said that, given a highly competitive market and rapidly changing technology, there was clear need for co-ordination of product development, manufacturing and marketing.

Geevor closes its tin foundations again

Kenneth Gooding on the Cornish industry's response to low prices

THE GEEVOR mine at Pendeen, near Land's End in Cornwall, one of Britain's three remaining tin mines, yesterday became the latest victim of collapsing world tin prices.

But Mr Eric Grayson, chairman, who took over with a new management team two years ago and has diversified the Geevor company at a hectic pace into coal and gold mining, insisted: "This does not affect the prospects of the company in any way."

That will be little consolation to the 122 employees at the tin mine who have been made redundant. Only two months ago they agreed to work nine-hour shifts for eight hours' pay to help keep the mine operating until prices recovered.

Productivity rose to heights never before reached in Geevor's long history.

But Mr Grayson pointed out that the price of tin had dropped to £3,657 a tonne this week, "well below the minimum cost price that can be achieved in a narrow vein, hard rock mine". In May last year the price was $6,600 a tonne, at which the mine was coining money.

Forward sales contracts at favourable prices signed last summer ended in October and since then Geevor had sustained substantial losses on its tin business, he said.

About 50 miles north-east of Geevor, Cornwall's other two tin mines, Wheal Jane and South Crofty, are also suffering. Carnon Consolidate, which owns the mines and was bought from RTZ by 12 managers 18 months ago, announced last month it was to cut its workforce by 90 and reduce output and capital spending.

Mr Brian Calver, Carnon's managing director, said the mines needed a tin price of about £5,000 a tonne to break even.

At Geevor Mr Grayson said: "We need to see over £5,000 a tonne to make mining worthwhile."

Geevor has been a marginal mine for many years. It closed in April 1986 with the loss of 350 jobs. This followed the steep fall in tin prices after the collapse of the International Tin Council's price support scheme and the UK government's rejection of Geevor's calls for financial help.

Mining restarted in a tentative way at the beginning of 1988. The idea was to go over the mine's existing 150 miles of tunnels but to do no expensive development work. "It is a bit like picking a skeleton clean," said Mr Grayson.

Geevor used the cash flow to give it breathing space for diversification. The most important investment was the

£5m purchase of the Mainband Colliery, between Whitehaven and St Bees in Cumbria. The company also raised £2.8m for development of Mainband, which has become probably the UK's largest independent underground coal mine.

Mr Mark Wellesley-Wood, head of the mining team at Kleinwort Benson Securities, who recently visited Mainband, said: "It looks to be a real success story."

Mineable reserves are about 5.5m tonnes of high-quality coal which could be produced at a cost as low as £15 a tonne, he suggested.

Geevor also has bought a short-life coal mine in Pennsylvania, producing good cash flow.

It has also invested in two respectable, if small, gold projects. Mr Wellesley-Wood reckoned that a gold leaching operation in Ecuador would produce about 15,000 troy ounces of gold in the year to March 1991 and Geevor recently increased to 75 per cent its shareholding in a gold prospect in Costa Rica.

"So all we need to know about the tin mine is that it is not a cash drain," said Mr Wellesley-Wood. "And that now seems to be under control."

Mr Grayson insisted that Geevor would start mining tin in Cornwall again if prices recovered. In the meantime water would be pumped out at a cost of about £30,000 a year, partly offset by income from tourists, sales of gravel and consultancy services.

Mr Grayson is convinced the mine will reopen this year. "At today's tin price 70 per cent of world production is uneconomic. The industry can't live with it and logic dictates the price must recover."

The Geevor mine still has about 5,000 tonnes of tin in its reserves. At the recent annual production rate of 700 tonnes, that would provide work to Cornish miners for several more years.

Farmers queries the control of Axa-Midi

By Nikki Tait in Los Angeles

THE QUEST by Axa-Midi Assurances for US regulatory approval of its potential ownership of Farmers group, BAT Industries' Californian insurance subsidiary, could face a further serious obstacle in the wake of extensive discovery requests filed by Farmers lawyers in Texas this week.

The requests centre on information about Generali, the large Italian insurer, and Banque Paribas, the French banking group. Farmers argues that both are potential "controllers" of the insurance company, as defined in the US insurance statutes.

It is requesting all information about Generali's links with Axa, including minutes of directors' meetings and documents concerning the Italian insurer's long-term strategy. It is also asking to seek depositions from various Generali executives including Mr Enrico Randone, Generali's chairman.

The question of control arises because of Generali's 16.37 per cent stake in Compagnie de Midi, which owns the bulk of the shares in Axa-Midi.

Paribas has only small stakes in both Midi and Axa, but there are board room links and it has been involved with the French insurer in an advisory capacity.

The Generali issue has simmered throughout the regulatory struggle but now threatens to come to a head in Texas. Axa has firmly maintained that the structure of the group is such that no control question arises. A "disclaimer of control" by the Italian insurer has been filed.

Scapa to buy Just Rubber

SCAPA, the manufacturer of specialist products for the paper and printing industries, is making an agreed bid for Just Rubber which values the USM-quoted manufacturer of synthetic rubber covered rollers at £10.5m.

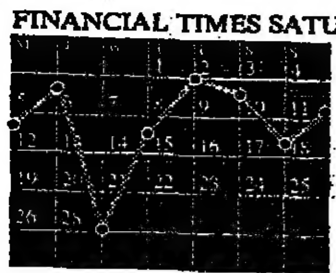
The company is offering 140p a share or 10 new Scapa shares for every 11 Just Rubber shares. The price of Just Rubber shares rose 63p to 135p following the announcement.

The directors of Just Rubber have agreed to accept the share alternative for the 20 per cent of the capital which they control. Other shareholders, holding 53 per cent of the capital, have also agreed to the terms of the bid.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
ABB Kent (Hldgs) ......fin	2.25	-	2	4	3.5
Anglo & Overseas ....fin	4	Apr 18	2.75	5.6	4.1
F&C Enterprise ....fin	0.16	Apr 19	0.14	0.16	0.14
Paribas French ....fin	0.9	Apr 30	0.85	0.9	0.85
Tribune Invest ....fin	4.35	-	3.28	5.2	4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.



ECONOMIC DIARY

TOMORROW: National savings results (January). Japanese general elections. Mrs Margaret Thatcher, Prime Minister, addresses Board of Deputies of British Jews. Mongolia's opposition democratic association plans to hold first national congress in Ulan Bator.

MONDAY: Cyclical indicators for the UK economy (January). *National Assembly* opens in Taipei. Mr François Mitterand, French President, on visit to Pakistan (until February 23). One Asia assembly opens in Manila (until February 21). UN-sponsored conference in Addis Ababa on disaster preparedness.

TUESDAY: Finished steel consumption and stock changes (fourth quarter-provisional). London and Scottish banks monthly statement (January). Provisional estimates of monetary aggregates (January). *Manufacturers' and distributors'* stocks (fourth quarter-provisional). European defence ministers meet in Gleneagles. European Community *general affairs council* meets in Dublin. Scheduled start of trial of Mr John Poindexter, US National Security Adviser, on Iran arms charges. Mr Petre Roman, President of Roumania, to address seminar on Eastern Europe in Paris; other speakers include Mr Imre Pozgay, Hungarian Minister of State, Mr Gregor Gysi, East German Communist Party leader, Mr Alexander Yakovlev, Soviet Politburo member, and Mr Michel Rocard, Prime Minister of France.

WEDNESDAY: Gross domestic product (output-based, fourth quarter-preliminary). New construction orders (December). *US* consumer price index (January) and real earnings (January).

THURSDAY: US monthly budget statement (January). European Community internal market council meets in Brussels. New 34-nation meeting in Paris on setting up East European development bank *to work out statutes and how* capital should be distributed (until February 23). ICI results.

FRIDAY: Building societies monthly figures (January). *Greek parliament votes for* new president.

LONDON TRADED OPTIONS

THE OPTIONS market had another quiet session yesterday with dealers bemoaning the lack of business. The main features were options in the FT-SE 100 index, while among the stocks, BP and Asda provoked interest.

The market's turnover, at 29,286 contracts, was slightly more than Thursday's, but still insufficient to keep traders occupied. Dealing was dominated by business between market-makers with institutions still on the sidelines. This was due partly to the quieter performance on the *underlying* market, where dealing was slow after the Society of Investment Analysts' dinner the previous evening. Another factor mentioned was the lack of direction given by Wall Street after the latest US economic data.

But more worryingly, dealers spoke of the small number of clients using the market. One senior trader said the options market appeared to be locked in a vicious spiral of low turnover leading to wider price spreads, which in turn made it more difficult to attract business. Other dealers even began to speak of overcapacity among option brokers if the current level of business persisted.

Furthermore, the stock market's *unwillingness to move* much away from current levels was cited as a deterrent to option dealing, though traders continued to point out that a stable market did not necessarily mean that money could not be made by investors. None the less, until the stock market showed a clearer direction, investors may remain reluctant to commit themselves to the market.

The FT-SE 100 was the busiest contract, trading 8,730 lots, of which 4,816 were calls and 3,914 were puts. The February 2,300 put series was the most active, trading 1,178 contracts. In the futures market, a 15 point premium was maintained over the cash index, as some analysts became more positive towards equities. But dealers said the majority of the market remained bearish as worries about interest rates and the UK economy persisted.

Option		Calls Apr	Jul	Oct	Puts Apr	Jul	Oct
Allid Lyons (*482)	460	42	50	68	8	17	19
	500	16	27	46	26	34	40
	550	4½	13	26	72	72	73
ASDA (*113)	110	12	19	21	4½	8	11
	120	8	15	17	11	14	16
Brit. Airways (*199)	180	27	30	34	2½	6	8
	200	12	16	23	9	16	17
	220	4	8½	14	22	27	29
Brit Com (*72)	70	11	15	18	6	9	11
	80	6	10	14	11	15	18
Ultramar (*369)	360	32	48	60	10	13	18
	390	16	33	42	25	28	30

Option		Calls Feb	May	Aug	Puts Feb	May	Aug
Brit Aero (*524)	500	27	48	65	2	23	28
	550	3	25	40	30	52	58
BAA (*382)	360	24	41	50	1½	9	15
	390	2	23	34	12	21	26
BAT Inds (*810)	800	14	58	82	5	28	37
	850	2½	28	57	45	55	60

Option		Calls Mar	Jun	Sep	Puts Mar	Jun	Sep
Abbey Nat. (*183)	180	7	13	18	8	12½	14
	200	2	5	9	25	26	28
Amstrad (*57)	50	8½	12	17	1½	4½	6
	60	3½	7½	12	6½	9	11
Barclays (*562)	550	19	35	47	25	28	40
	600	4	15	28	65	65	70
Blue Circle (*235)	220	21	26	34	3	9	13
	240	–	14	23	–	20	22
British Gas (*230)	220	16	26	30	2½	4½	8
	240	3	13	16	12	13	17

FT-ACTUARIES SHARE INDICES

Compiled by the Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Feb 16 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Thu Feb 15 Index No.	Wed Feb 14 Index No.	Tue Feb 13 Index No.	Year ago (approx) Index No.	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (203)	869.48	—	13.02	4.91	9.36	1.62	869.42	873.51	873.57	911.80	1012.97 18/8/89	775.54 3/1/89	1038.87 16/7/87	50.71 13/12/74
2	Building Materials (27)	1059.86	+0.7	14.87	5.33	8.38	0.50	1051.69	1065.71	1071.92	1147.94	1287.14 19/5/89	939.06 3/1/89	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (37)	1458.50	+0.1	16.95	5.43	7.73	0.67	1457.48	1481.43	1487.28	1664.90	1881.66 14/3/89	1306.13 27/10/89	1951.50 16/7/87	71.48 2/12/74
4	Electricals (10)	2465.83	+0.1	10.91	5.04	11.52	0.75	2462.70	2489.78	2498.46	2661.01	3040.80 8/9/89	2294.30 3/1/89	3040.80 8/9/89	84.71 25/6/62
5	Electronics (30)	1915.82	−0.9	9.10	3.76	14.21	10.21	1933.23	1915.93	1928.54	2049.23	2308.22 19/5/89	1776.44 3/1/89	2308.22 19/5/89	1229.81 8/10/85
6	Engineering-Aerospace (8)	428.45	−0.2	14.11	5.15	8.70	0.04	429.25	432.42	434.09	0.00	495.50 4/1/90	428.45 16/2/90	495.50 4/1/90	428.45 16/2/90
7	Engineering-General (44)	466.85	+0.3	12.04	5.86	10.00	1.28	464.85	468.48	466.55	0.00	502.82 4/1/90	464.85 15/2/90	502.82 4/1/90	464.85 15/2/90
8	Metals and Metal Forming (6)	474.25	+0.3	24.86	6.34	4.54	0.00	472.84	477.85	467.64	523.16	562.47 19/5/89	439.27 27/10/89	596.67 9/10/87	49.65 6/1/75
9	Motors (16)	367.42	+0.3	14.41	5.74	8.14	0.00	366.21	366.25	364.62	311.21	403.90 4/1/90	258.24 3/1/89	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (25)	1564.38	—	10.77	4.61	10.77	3.06	1564.72	1567.24	1565.31	1586.17	1881.53 18/8/89	1311.63 3/1/89	1881.53 18/8/89	277.55 15/1/81
21	CONSUMER GROUP (177)	1270.34	+0.6	8.89	3.74	14.06	3.05	1262.15	1251.59	1248.25	1173.35	1417.92 4/9/89	1016.74 3/1/89	1417.92 4/9/89	61.41 13/12/74
22	Brewers and Distillers (22)	1477.25	+0.4	9.46	3.56	13.04	6.54	1471.44	1459.39	1454.37	1288.35	1583.71 5/9/89	1112.42 3/1/89	1583.71 5/9/89	69.47 13/12/74
25	Food Manufacturing (19)	1098.50	+0.7	9.76	4.03	12.84	1.70	1090.54	1089.54	1090.39	1044.98	1220.42 4/9/89	926.04 3/1/89	1220.42 4/9/89	59.67 11/12/74
26	Food Retailing (16)	2333.10	+1.2	8.70	3.25	14.92	6.99	2306.16	2281.27	2263.94	2029.35	2722.30 5/9/89	1784.64 3/1/89	2722.30 5/9/89	54.25 11/12/74
27	Health and Household (13)	2488.54	+0.7	6.29	2.63	18.93	0.20	2472.29	2431.86	2427.68	2129.29	2795.49 4/1/90	1778.20 3/1/89	2795.49 4/1/90	175.38 28/5/80
29	Leisure (33)	1582.91	+0.2	8.47	3.74	14.54	4.83	1579.41	1577.96	1578.70	1573.72	1845.77 8/9/89	1346.22 3/1/89	1845.77 8/9/89	54.83 9/1/75
31	Packaging & Paper (13)	575.90	−0.1	12.20	5.38	10.35	0.90	576.73	573.60	572.68	598.88	623.86 4/9/89	512.34 16/10/89	739.48 16/7/87	43.46 6/1/75
32	Publishing & Printing (17)	3519.82	+0.2	9.19	5.00	13.89	21.20	3512.70	3524.73	3511.80	3735.57	3916.24 8/2/89	3236.76 4/1/89	5070.66 5/10/87	55.08 6/1/75
34	Stores (31)	803.60	+1.2	10.83	4.67	12.02	1.78	794.35	783.71	780.86	772.48	921.71 4/9/89	679.97 3/1/89	1160.58 29/7/87	52.63 6/1/75
35	Textiles (13)	511.32	+0.2	11.31	5.87	10.72	0.27	510.48	507.38	505.31	517.33	586.98 21/9/89	464.71 3/1/89	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (103)	1186.03	+0.1	10.78	4.72	11.12	0.34	1184.50	1176.89	1173.87	1045.49	1233.52 3/1/90	896.15 3/1/89	1233.52 3/1/90	58.63 6/1/75
41	Agencies (17)	1608.23	+0.4	6.52	2.32	18.88	0.05	1601.88	1586.23	1574.91	1251.91	1638.70 5/9/89	1030.84 3/1/89	1795.57 17/7/87	870.35 4/12/87
42	Chemicals (22)	1195.03	+0.1	12.69	5.39	9.29	0.57	1194.07	1197.75	1200.06	1210.92	1370.94 11/8/89	1026.37 3/1/89	1545.46 5/10/87	71.28 1/12/74
43	Conglomerates (13)	1622.32	+0.1	11.08	6.04	10.61	0.00	1620.62	1602.96	1599.24	1469.16	1819.46 11/8/89	1254.94 3/1/89	1819.46 11/8/89	975.19 10/11/87
44	Transport (13)	2258.58	+0.3	10.71	4.25	11.89	2.88	2252.80	2237.83	2240.60	2286.53	2554.69 12/7/89	1836.25 4/1/89	2554.69 12/7/89	90.80 29/6/62
46	Telephone Networks(2)	1257.61	−0.2	10.10	4.08	12.88	0.00	1260.09	1248.94	1243.81	1087.71	1290.72 3/1/90	1002.43 3/1/89	1290.72 3/1/90	517.92 30/11/84
47	Water(10)	2079.08	+0.8	16.76	6.51	6.61	0.00	2063.17	2021.94	1997.14	0.00	2079.08 16/2/90	1951.04 16/1/90	2079.08 16/2/90	1951.04 16/1/90
48	Miscellaneous (26)	1881.10	+0.2	9.46	4.38	11.92	0.91	1877.10	1877.99	1872.78	1452.06	2087.06 11/7/89	1183.56 5/1/89	2087.06 11/7/89	60.39 6/7/75
49	INDUSTRIAL GROUP (483)	1156.68	+0.3	10.49	4.33	11.67	1.86	1152.89	1147.62	1145.37	1088.71	1273.71 5/9/89	935.74 3/1/89	1273.71 5/9/89	59.01 13/12/74
51	Oil & Gas (17)	2458.52	+0.8	9.03	4.82	13.46	6.21	2438.32	2419.18	2411.65	1982.88	2475.71 2/1/90	1725.77 3/1/89	2475.71 2/1/90	87.23 29/5/62
59	500 SHARE INDEX (500)	1264.48	+0.4	10.39	4.40	11.90	2.20	1259.41	1253.85	1250.38	1158.27	1355.68 5/9/89	1002.81 3/1/89	1369.88 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (114)	830.11	+0.6	–	5.13	–	0.99	825.39	822.65	822.47	750.64	869.67 3/1/90	670.86 3/1/89	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	874.64	+0.9	19.59	5.74	6.71	1.48	866.99	863.18	862.64	752.94	918.30 2/2/90	657.74 3/1/89	918.30 2/2/90	62.44 12/12/74
65	Insurance (Life) (7)	1366.68	+0.3	–	4.86	–	0.00	1363.03	1364.86	1379.96	1035.53	1484.67 3/1/90	933.96 5/1/89	1484.67 3/1/90	44.88 2/1/75
66	Insurance (Composite) (7)	707.94	+0.7	–	5.34	–	0.00	702.93	701.53	698.40	599.46	768.11 29/12/89	528.72 3/1/89	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (6)	1109.91	+0.1	6.66	5.60	20.00	0.00	1108.77	1098.58	1106.42	1016.04	1194.74 4/1/90	916.68 3/1/89	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (8)	501.22	+0.3	–	3.55	–	0.04	499.91	495.84	496.32	350.61	502.02 8/2/90	318.05 3/1/89	547.59 12/10/87	31.21 7/1/75
69	Property (49)	1162.34	+0.4	7.85	3.74	16.11	1.30	1158.01	1154.82	1150.87	1301.26	1398.87 5/9/89	1126.55 17/10/89	1398.87 5/9/89	56.01 20/4/65
70	Other Financial (28)	331.57	−0.1	13.09	6.37	10.08	1.75	331.87	330.73	329.93	385.79	391.49 8/2/89	304.56 16/10/89	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (68)	1220.23	+0.3	–	3.01	–	1.13	1216.05	1216.53	1211.84	1068.61	1323.81 4/1/90	922.04 3/1/89	1323.81 4/1/90	71.12 13/12/74
91	Overseas Traders (5)	1423.65	+1.1	10.68	6.42	11.01	30.79	1407.78	1407.85	1402.52	1407.17	1614.04 3/1/90	1255.98 17/10/89	1614.04 3/1/90	97.37 6/1/75
99	ALL-SHARE INDEX (687)	1159.33	+0.4	–	4.48	–	2.04	1154.36	1149.07	1146.88	1058.89	1226.83 3/1/90	921.22 3/1/89	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 15	Feb 14	Feb 13	Feb 12	Feb 9	Year ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX§	2325.9	+12.1	2334.4	2319.6	2313.8	2298.3	2293.2	2286.9	2313.6	2042.9	2463.7 3/1/90	1694.5 8/2/88	2463.7 3/1/90	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Feb 16	Day's change %	Thu Feb 15	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	114.62	−0.09	114.73	–	2.02
2	5-15 years	123.79	−0.36	124.24	–	1.60
3	Over 15 years	131.03	−0.71	132.45	0.48	1.46
4	Irredeemables	148.67	−0.86	149.97	–	0.00
5	All stocks	123.12	−0.31	123.55	0.05	1.75
	Index-Linked					
6	Up to 5 years	139.38	+0.06	139.29	–	0.94
7	Over 5 years	134.53	−0.28	134.91	–	0.81
8	All stocks	134.78	−0.25	135.12	–	0.82
9	Debentures & Loans	102.43	−0.44	102.88	–	1.14
10	Preference	80.03	−0.37	80.33	–	0.86

	AVERAGE GROSS REDEMPTION YIELDS		Fri Feb 16	Thu Feb 15	Year ago (approx.)	1989/90 High	1989/90 Low
	British Government						
1	Low	5 years	10.78	10.73	8.96	10.86 24/1/90	8.88 9/2/89
2	Coupons	15 years	10.49	10.39	8.80	10.49 16/2/90	8.77 9/2/89
3		25 years	10.39	10.29	8.73	10.39 16/2/90	8.73 16/2/89
4	Medium	5 years	11.98	11.89	10.17	11.98 24/1/90	9.96 8/2/89
5	Coupons	15 years	10.87	10.78	9.24	10.87 16/2/90	9.21 8/2/89
6		25 years	10.51	10.40	8.85	10.51 16/2/90	8.85 17/2/89
7	High	5 years	12.11	12.03	10.30	12.11 24/1/90	10.13 8/2/89
8	Coupons	15 years	11.06	10.97	9.45	11.06 16/2/90	9.41 8/2/89
9		25 years	10.62	10.53	9.01	10.62 16/2/90	8.99 27/1/89
10	Irredeemables†		10.44	10.34	8.69	10.44 16/2/90	8.68 15/3/89
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	4.58	4.51	3.42	4.58 16/2/90	2.75 21/8/89
12	Inflation rate 5%	Over 5 yrs.	3.96	3.93	3.52	3.96 16/2/90	3.41 21/8/89
13	Inflation rate 10%	Up to 5 yrs.	3.59	3.65	2.50	3.65 15/2/90	1.91 21/8/89
14	Inflation rate 10%	Over 5 yrs.	3.78	3.77	3.34	3.78 16/2/90	3.23 21/8/89
15	Debs &	5 years	13.51	13.49	11.83	13.82 3/11/89	11.47 30/12/88
16	Loans	15 years	12.82	12.76	11.26	12.84 7/2/90	11.19 1/2/89
17		25 years	12.81	12.75	10.68	12.83 7/2/90	10.66 27/2/89
18	Preference†		11.53	11.49	10.03	11.53 16/2/90	10.00 17/3/89

§Opening index 2322.1; 10 am 2321.0; 11 am 2325.7; Noon 2327.9; 1 pm 2328.1; 2 pm 2333.1; 3 pm 2329.5; 3.30 pm 2325.0; 4 pm 2324.9 (a) 1.35pm (b) 9.42am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Engineering - Aerospace	29/12/89	486.00	*Other Industrial Materials*	31/12/80	287.41	*Food Retailing*	29/12/67	114.13
Engineering - General	29/12/89	486.00	Health/Household Products	30/12/77	261.77	Insurance Brokers	29/12/67	96.67
Water	29/12/89	1968.45	Other Groups	31/12/74	63.75	All Other	10/4/62	100.00
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Conglomerates	31/12/86	1114.07	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Telephone Networks	30/11/84	517.92	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00
Electronics	30/12/83	1646.65	Food Manufacturing	29/12/67	114.13	Preference	31/12/77	76.72
						FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

INTERNATIONAL COMPANIES AND FINANCE

Telefonica buys control of Chilean utility from BCI

By Michael Marray in Hong Kong and Peter Bruce in Madrid

BOND Corporation International (BCI), the Hong Kong-listed subsidiary of Mr Alan Bond's Australian-based Bond Corporation Holdings, is to sell its controlling stake in Compania de Telefonos de Chile (CTC), the Chilean telecommunications utility, to Telefonica of Spain for US$391m.

The sale represents the latest move in Mr Bond's asset disposal programme as he fights to stave off the collapse of his debt-burdened business empire.

For Telefonica, the Spanish telecommunications monopoly, the deal is its biggest advance yet into the South American telecommunications market. It comes eight months after Telefonica and Banco Santander of Spain each paid $27.2m for 10 per cent stakes in Entel, the biggest Chilean telecoms transmissions business.

BCI, which holds around 53 per cent of CTC, said in a statement that it had not yet been decided how to deploy the cash proceeds, which will total some $343m after the repayment of financing associated with the original acquisition.

However, last year proceeds from the sale of the Bond Centre office building in Hong Kong were passed on to BCI shareholders by means of a special dividend, with most of the cash going to the Australian parent via its 66 per cent stake in BCI.

A similar arrangement for the CTC proceeds would realise around $225m for Bond Corporation.

Telefonica also announced yesterday it planned to make one of Spain's largest-ever bond placings in an effort to finance a Pta3,000bn ($27.7bn) investment programme over the next five years.

The company this week announced an 11 per cent increase in net profits last year to Pta68.5bn, and said it plans to issue domestic bonds worth Pta20bn to fund local investment.

This mainly centres on trying to satisfy demand for new lines – the backlog now stands at more than 500,000 lines.

It is expected that the purchase will be completed by mid-April. The agreement is subject among other things to BCI shareholder approval. After the sale BCI, which was listed in Hong Kong early in 1987, will have only two assets left – an interest in a property development in Rome and an 85 per cent share in a brewery in China.

BCI officials in Hong Kong said Telefonica would be paying well over the market price for the Chilean stake, which the Spanish appear to have been anxious to secure. Telefonica had competed for the CTC stake with Mr Bond in 1987.

The Spanish are also trying to buy some 40 per cent of the Argentine telephone monopoly for around $500m although the new Government in Buenos Aires has so far blocked privatisation of the company.

Mr Candido Velazquez, appointed as Telefonica chairman by the Government last year, has implied in the past that he is opposed to expansion plans in South America begun by his predecessor, Mr Luis Solana. The new management at Telefonica is on record as saying it intended to concentrate its efforts on improving its weak domestic services.

CITIC HK$7bn LOAN OVERSUBSCRIBED

THE HK$7bn (US$897.4m) syndicated loan arranged by Barclays to finance the acquisition by the Peking-controlled China International Trust and Investment Corporation (Citic) of a 20 per cent stake in Hongkong Telecommunications from Cable and Wireless of the UK has been successfully underwritten, writes Michael Marray.

Barclays said the underwriting was one third oversubscribed, with 19 banks joining the syndication. Ten of the banks are European, including Midland, National Westminster, Dresdner Bank and Banque Indosuez. Japanese interest is represented by Bank of Tokyo, Dai-ichi Kangyo and Long-Term Credit Bank.

Also included is Hongkong and Shanghai Banking Corporation, which decided to join the syndication late in the proceedings. Wardley, its merchant banking unit,failed to win the mandate to arrange the loan, but was later named as co-arranger. At the same time Hongkong Bank announced its decision to join.

The facilities comprise a 10-year term loan of around HK$5.4bn and a five-year zero coupon facility providing another US$220m. A HK$1bn issue of covered warrants is being separately arranged.

See Lex, Page 22

Vuitton family buys control of Lanvin

By William Dawkins in Paris

LANVIN, the 100-year-old French fashion and perfume business, recently revived after years of heavy losses, was yesterday taken over by the Vuitton family, holders of a minority stake in the embattled LVMH drinks, luxury goods and luggage company.

Midland Bank of the UK, which took control of Lanvin about a year ago, has sold its 95 per cent stake in the group for an estimated FFr400m to FFr500m ($70 to $87m). It is being bought through Orcofi, a holding company 70 per cent owned by the Vuitton family, which lends its name to the luggage brand. Orcofi said this was the first step in the "creation of a new French focus of activity in luxury."

It will pay for the deal partly through a private bond issue and partly by splitting Lanvin between itself and L'Oréal, France's largest cosmetics group. Orcofi controls Vuitton Investissement Gestion, which is headed by Mr Bernard Racamier, and holds a 17.4 per cent stake in LVMH.

The deal adds a twist to the legal battle for control of LVMH between Mr Racamier, head of its Louis Vuitton luggage subsidiary, and Mr Bernard Arnault, the LVMH chairman. LVMH management last night welcomed the deal as giving Mr Racamier a "new structure to which he can devote his time" and hoped it would bring a settlement.

Just over half of Lanvin's FFr250m turnover in 1988, the most recent accounts available, came from fashion, with the rest from licensing fees for the use of Lanvin's name by other companies, and perfume. Lanvin lost FFr100m in the same year, mainly because of the costs of servicing debts, said Midland.

On taking control, the bank changed the top management and design staff and sold the former Lanvin family home and offices near the Arc de Triomphe for FFr260m to pay off the company's debts. Mr Léon Bressler, former president of Midland's French subsidiary, took over as director last September, and will stay on.

Last year's results showed "a dramatic improvement" and Lanvin was on track to break even in 1990, according to a Midland official, who described it as the best French turnround ever achieved by Midland's merchant banking arm.

Orcofi has launched a FFr2bn bond issue, increasing its capital to FFr7bn, in a private placing to seven institutions in order to fund this and other takeovers in the future.

Icy wind from Drexel cools GBL

Lucy Kellaway reassesses the strategy at Groupe Bruxelles Lambert

As Groupe Bruxelles Lambert junked one of its oldest, and formerly one of *its proudest, investments* on Wednesday it said: "We have turned the page."

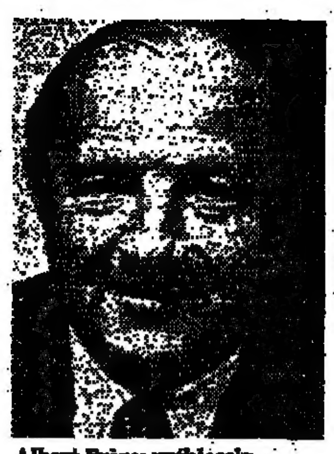
As far as Belgium's second biggest holding company is concerned, the affair involving the troubled Wall Street investment bank Drexel Burnham Lambert is over. Its stake is carried at nothing in GBL's books, profits have been hit to the tune of BFr3.4bn ($97m), but now it is business as usual.

Its shareholders may not forget quite so easily. GBL may not be to blame for Drexel filing for bankruptcy protection – it had nothing to do with running the company – but the management of its investment in the junk bond firm has left much to be desired.

It was a brilliant move on the part of Baron Leon Lambert to put $40m into William D Witter, a Wall Street stockbroker that became part of Drexel in the mid 1970s. The glittering rise of Drexel lifted its Belgian cousin with it, so five years ago Drexel was contributing 40 per cent of GBL's profits.

The move down has been less brilliant. GBL started to unload its stake long before the top – in August 1983 it sold 48 per cent of the subsidiary through which it manages the stake, 17 per cent of which is now owned by Kuwaiti interests.

Over the past two years, since Drexel got into trouble, GBL has proved staunch, even to the detriment of its own shareholders. It failed to see which way the junk bond firm was heading: just six months ago GBL seemed to think Drexel would contribute again to group profits. Far from trying to get out, it seemed confident things would improve.



Albert Frère: ruthlessly charming ex-steel man

Gerard Eskenazi: banker who brought financial wizardry

The Drexel affair cannot help but cast a doubt over GBL's strategy of sitting on big stakes in big companies. More than 90 per cent of its portfolio comprises companies in which it holds 20 per cent or more. It is one of the most important owners of Belgium's energy sector, with large stakes in Petrofina, and Tractebel, and owns large holdings in a string of international financial services firms.

Such big stakes should have control premiums attached to them, yet the disadvantage – as demonstrated by Drexel - is that if one part gets into trouble the whole group takes a heavy blow.

Even before Drexel's troubles, some observers were begining to doubt the rationale of building an international financial holding company. They argued that the promised synergies from linking companies such as Banque Bruxelles Lambert, Bank Internationale à Luxembourg and Henry Ansbacher did not seem to be materialising.

GBL is a caricature of a continental holding company, with a tangle of shareholdings and shareholders. Its 25 per cent stake in Petrofina – its most valuable single asset – is held through a web of cross holdings comprising at least seven different strands.

The company bears the strong mark of its two creators, a somewhat odd marriage of Mr Gerard Eskenazi and Mr Albert Frère. Eskenazi is a French banker who left Paribas in 1981 and is now at the head of Pargesa – the Swiss holding company as complex as GBL.

Frère is a self-made man, a ruthlessly charming ex-steelman from Charleroi in Belgium. The two came together at GBL in the early 1980s, an alliance that led to a flurry of paper and deals, and resulted in a giant holding company that at one point was worth over BFr100bn. Mr Eskenazi contributed financial wizardry, and Mr Frère shrewdness, qualities which made GBL one of the Belgian stockmarket's darlings.

Since then things have been quiet, with a thin diet of deals which reshaped what the company already had, rather than building anew.

Against this background, and especially since the problem with Drexel, the share price behaviour looks a little odd. Even though the shares have fallen by about 10 per cent as a result of the Drexel write-off, they still trade at asset value – whereas holding companies of this sort usually expect a discount of 15 per cent or so.

"You really expect the shares of these Belgian holding companies to be logical?" joked one analyst. The word is that Mr Albert Frère and Mr Eskenazi are not getting along quite as well as they used to. Some people in the market even think GBL might be ripe for a break-up. Others say this is abject nonsense – the Belgian pursues his interests in the Belgian energy sector, and the Frenchman his in the finance sector as harmoniously as ever.

At least one shareholder, who has proved sharp at interpreting the Belgian scene in the past, expects further action at *GBL*.

Belcofi, a company owned by a group of Flemish investors has recently been building up a stake in the company. It made a mint in the battle for Société Général de Belgique by selling out at the top to Suez, and has been adding to its declared 5.2 per cent stake, and yesterday revealed it had raised its stake to 10 per cent.

It must be hoping the Belgian market is in for another big battle. If it came, it would be of a complexity that would make the battle for Société Générale de Belgique look like child's play.

● Kuwait Investment Office states that it does not have, nor has it ever had, any equity or other interest, direct or indirect, in Drexel Burnham Lambert.

Hewlett-Packard in surprise 10% earnings decline

By Louise Kehoe in San Francisco

HEWLETT-PACKARD, the US computer and electronic equipment manufacturer, reported an unexpected 10 per cent decline in net earnings for its first quarter to January.

The company's stock price fell sharply in heavy trading yesterday morning to $43⅝ from $47¼.

Revenues rose 17 per cent to $3.1bn. Net earnings totalled $173m, or 72 cents per share, down from $193m, or 83 cents a share in the same period a year ago.

H-P reduced its workforce by 1,000 during the quarter.

New orders booked during the quarter rose to a record $3.3bn from $3.0bn. "This was a quarter of progress in some areas and disappointment in others," said Mr John Young, president.

NYSE examines move to 24-hour electronic trading

By Janet Bush in New York

THE NEW York Stock Exchange, which has long battled to maintain a floor trading structure against a worldwide trend towards off-floor electronic dealing, is studying a development towards 24-hour trading.

The fact that the exchange is considering an after-hours session is likely to prompt a torrent of complaints from exchange specialists, market makers who enjoy an exclusive and highly lucrative franchise, and who have long felt threatened by the development of electronic trading in other centres.

Brokers may also contest the move because of the threat of losing business as block trading houses can trade electronically without a middle man.

NYSE officials said its study of an after-hours trading session was in the preliminary stages and no decision had been made whether to proceed. However, Mr Richard Grasso, NYSE president, said such a system would be put in place and 24-hour trading would doubtless follow.

The current system of specialists has long been criticised. The main argument is that specialists are not sufficiently well capitalised to make efficient two-way markets and provide liquidity given the enormous size of transactions these days.

The Securities and Exchange Commission, which regulates the securities markets, has become increasingly concerned about the ability of US exchanges to compete with their overseas counterparts, many of which have been fast modernising their systems.

Mondadori affair a plot, claims De Benedetti

By John Wyles in Rome

MR CARLO De Benedetti yesterday broke his silence in the battle to wrest control of Mondadori, the Italian publishing group, from him when he asserted Mr Silvio Berlusconi's seizure of the company's management was the result of a plot involving political, business and legal worlds.

"When the history of Mondadori comes to be written, there is no doubt that it will say that this affair has aspects of a political-business-judicial plot", Mr De Benedetti said.

This is the first time he has given public credence to the view, widely held in Italy, that his rival Mr Berlusconi and his allies have been actively encouraged by outside forces.

The conspiracy theorists hold that Prime Minister Mr Gulio Andreotti and those sections of the Christian Democratic Party which support him, together with Mr Bettino Craxi's Socialists, are extremely anxious that Mondadori publications, particularly La Repubblica newspaper, and the the two weekly news magazines, L'Espresso and Panorama, should be in politically sympathetic hands.

This explanation holds that judicial rulings in the past two months in favour of the Berlusconi group have been politically influenced, and that the whole anti-De Benedetti strategy is being actively supported by the "old guard" of Italian business. The fact that there is very little hard evidence to support this reading of events has not affected its popularity.

Bolar recalls drugs amid possible criminal charges

By Alan Friedman in New York

BOLAR Pharmaceutical, the big US generic drug manufacturer that has been under investigation by the Food and Drug Administration (FDA), yesterday said it was voluntarily recalling several antibiotic products and it might face criminal charges.

Bolar said its halt in sales could result in a "substantial reduction of the company's operations and will have a material adverse effect on the company's financial position." The recall is the latest development in a controversy over Bolar and the generic drug business in general.

The company's most dramatic disclosure, however, was that "certain of the matters referred to may give rise to criminal liability, including possible criminal liability with respect to the company." A federal grand jury investigation is underway and so is a probe by the Securities and Exchange Commission (SEC).

Mr Larry Raisfeld, the former chief financial officer of Bolar who has been named the new president, said yesterday the company "wants to make a full disclosure and start with a clean slate." Regulators began last summer to look into allegations that Bolar gave false information concerning its proposed generic drugs.

Bolar said yesterday it plans to co-operate fully with the FDA and it is auditing about 64 drug products it makes. Trading in shares of Bolar on the New York Stock Exchange was suspended yesterday.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1989/90	Low 1989/90
Gold per troy oz.	$417.75	+2.00	$405.25	$420.25	$358.5
Silver Per troy oz	315.65	+1.30	339.65p	378.15p	313.90p
Aluminium 99.7% (cash)	$1507.0	+87.0	$2357.5	$2610	$1394.5
Copper Grade A (cash)	£1435.0	+75.5	£1935	£1982.5	£1301
Lead(cash)	£447	+1	£375.5	£487.5	£337
Nickel (cash)	$7837.5	+1487.5	$1852.5	$19350	$5887.5
Zinc SHG (cash)	$1450.5	+60	$1757.5	$2107.5	$1285
Tin (cash)	$6220	-90	£4325	$10760	$6220
Cocoa Futures (May)	£636	+4	£865	£947	£622
Coffee Futures (May)	£620	+29	£1193	£1270	£572
Sugar (LDP Raw)	$358.0	-1.6	$250	$361.0	$235.8
Barley Futures (May)	£108.15	-1.20	£111.35	£113.85	£100.95
Wheat Futures (May)	£115.55	-1.00	£114.5	£121.65	£104.7
Cotton Outlook A Index	78.25c	+2.25	63.80c	84.95c	61.35c
Wool (64s Super)	548p	-8	680p	710p	548p
Oil (Brent Blend)	$19.625z	+0.450	$17.80	$21.975	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. z-Apr.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.58-6.68z	-.02
Brent Blend	$19.60-9.65z	-.025
W.T.I. (1 pm est)	$22.10-2.15z	-.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$223-225	-1
Gas Oil	$174-175	-3
Heavy Fuel Oil	$89-90	-1
Naphtha	$191-193	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$417.75	+2.00
Silver (per troy oz)♣	537c	+1
Platinum (per troy oz)	$519.15	-3.35
Palladium (per troy oz)	$136.45	+0.20
Aluminium (free market)	$1510	+55
Copper (US Producer)	111½-115c	+1½
Lead (US Producer)	41.0c	
Nickel (free market)	355c	+20
Tin (Kuala Lumpur market)	16.29r	-0.01
Tin (New York)	284c	+2
Zinc (US Prime Western)	65¼c	
Cattle (live weight)†	109.27p	+1.53*
Sheep (dead weight)†	207.78p	+7.29*
Pigs (live weight)†	94.63p	+2.37*
London daily sugar (raw)	$358.0x	+1.6
London daily sugar (white)	$431.0x	
Tate and Lyle export price	£327.0	+2.0
Barley (English feed)	£112.0	
Maize (US No. 3 yellow)	£127.5	
Wheat (US Dark Northern)	£129	
Rubber (Mar)♥	55.25p	-.25
Rubber (Apr)♥	56.25p	-.25
Rubber (KL RSS No 1 Mar)	231.5m	+0.5
Coconut oil (Philippines)§	$362.5t	
Palm Oil (Malaysian)§	$275.0w	+2.5
Copra (Philippines)§	$225	
Soyabeans (US)	£158	
Cotton "A" Index	78.25c	+.20
Wooltops (64s Super)	548p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Mar. z-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Apr	19.72	19.70	19.90	19.55
May	19.58	19.49	19.60	19.37
Jun	19.36	19.30	19.40	19.16
IPE Index	19.65	19.37	19.65	

Turnover: 5643 (4569)

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	627	625	627	620
May	636	634	637	632
Jul	647	647	650	644
Sep	664	662	665	661
Dec	688	685	689	685
Mar	709	707	712	706
May	723	722	725	722

Turnover: 8536 (8485) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 15 773.01 (780.55) 10 day average for Feb 16 754.25 (752.68)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Mar	608	605	619	595
May	620	607	627	598
Jul	630	619	633	610
Sep	643	634	647	624
Nov	659	648	660	640
Jan	676	664	677	659
Mar	690	680	681	681

Turnover: 5122 (5039) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 15: Comp. daily 67.02 (67.42). 15 day average 63.98 (63.69)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	327.40	326.60	327.40	324.00
May	328.20	327.60	328.40	325.20
Aug	327.20	326.20	326.20	324.00
Oct	317.80	316.80	317.00	315.00
Dec	316.00	315.00		
Mar	295.80	294.80	295.00	
White	**Close**	**Previous**	**High/Low**	
May	428.0	427.5	428.0	426.0
Aug	428.0	427.5	427.5	427.5
Oct	394.0	393.5	393.5	389.5
Dec	373.0	370.0	371.0	368.5
Mar	364.0	364.0	365.0	363.0
May	364.0	363.0	364.0	361.5
Aug	362.5	363.0	364.0	363.0

Turnover: Raw 3692 (3963) lots of 50 tonnes. White 544 (995)
Paris- White (FFr per tonne): May 2435, Aug 2450, Oct 2258, Dec 2140, Mar 2120, May 2120.

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low	
Mar	169.75	173.50	175.25	169.75
Apr	167.00	169.50	171.25	168.75
May	165.00	167.00	168.00	165.00
Jun	164.00	165.50	166.25	163.50
Jul	164.00	166.25	167.00	163.75
Aug	167.00	168.50	171.00	171.00

Turnover 7396 (6262)lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 31,525 tonne
Cash	1506-8	1473-5	1515	1514-5		
3 months	1508-9	1479-80	1516/1493	1515-6	1512-5	98,337 lots
Copper, Grade A (£ per tonne)						Ring turnover 61,295 tonne
Cash	1434-6	1412-4	1435/1434	1433-4		
3 months	1421-2	1397-8	1429/1408	1420-1	1417-8	65,053 lots
Lead (£ per tonne)						Ring turnover 12,650 tonne
Cash	446-8	445-6	450/443	450-1		
3 months	423-4	422.5-23	428/422	422-3	423-4	8,878 lots
Nickel ($ per tonne)						Ring turnover 1,116 tonne
Cash	7825-50	7525-75	7875/7650	7870-80		
3 months	7675-700	7400-50	7800/7450	7525-75	7550-90	7,242 lots
Tin ($ per tonne)						Ring turnover 680 tonne
Cash	6210-30	6140-60	6185	6180-5		
3 months	6340-50	6260-90	6370/6300	6300-15	6370-400	5,369 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 14,025 tonne
Cash	1449-52	1385-7	1434/1418	1419-20		
3 months	1435-7	1379-80	1440/1380	1409-10	1426-7	17,295 lots
Zinc ($ per tonne)						Ring turnover 1,050 tonne
Cash	1436-40	1383-5	1436/1418	1418-8		
March 30	1410-20	1355-65		1390-400		789 lots

LME Closing £/$ rate: SPOT: 1.6845 3 months: 1.6676 6 months: 1.6421 9 months: 1.6179

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Apr	181.1	180.4	181.5	178.0
May	206.5	206.0	206.4	202.6
Nov	100.0	199.9	98.5	98.5
Apr	145.0	145.0	140.5	140.5

Turnover 280 (273) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Apr	128.50	129.00	128.50
Jun	124.50	125.00	124.00
Aug	124.00	124.50	123.50
Oct	128.00	127.50	

Turnover 15 (58) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Feb	1590	1588	1590	1590
Mar	1632	1633	1632	1631
Apr	1645	1642	1644	1641
Jul	1402	1400	1402	1400
Oct	1515	1505	1515	1515
Jan	1515	1512		
BFI	1576	1576	1576	

Turnover 90 (338)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Mar	111.75	112.60	112.10	111.80
May	115.55	116.60	116.00	115.55
Jun	117.80	118.80	118.00	118.00
Sep	107.05	107.00	107.10	107.10
Nov	109.75	109.80	109.90	109.75
Jan	113.50	113.50		
Mar	116.60	116.50		
Barley	**Close**	**Previous**	**High/Low**	
Mar	105.45	106.25	105.75	105.45
May	108.15	109.00	108.50	108.20
Sep	104.15	104.15	104.30	104.30
Nov	107.40	107.50	107.50	107.40

Turnover: Wheat 334 (371), Barley 143 (70). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	112.5	112.0	112.0
Apr	118.5	118.0	118.0
Jun	118.5	117.0	118.0
Aug	116.0	116.0	115.5

Turnover 50 (11) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	417½-418	246¼-246¾
Opening	413¾-414¼	245¼-245¾
Morning fix	414.90	245.983
Afternoon fix	416.50	246.066
Day's high	417¾-418¼	
Day's low	412¾-413¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	426-431	251-254
Britannia	426-431	251-254
US Eagle	426-431	251-254
Angel	425-430	250-253
Krugerrand	417-420	246-248
New Sov.	97½-99½	57-58½
Old Sov.	97½-99½	57-58½
Noble Plat	526.40-533.70	312.10-317.00

Silver fix	p/fine oz	US cts equiv
Spot	315.65	532.50
3 months	327.35	549.30
6 months	336.85	564.05
12 months	363.05	577.60

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1400	114	122	2	16
1450	37	59	24	50
1500	5	23	81	112
Copper (Grade A)	**Calls**		**Puts**	
2300	126	136	11	63
2350	57	85	41	110
2400	19	49	102	173
Coffee	**Mar**	**May**	**Mar**	**May**
550	58	73		5
600	9	37	1	19
650		15	42	47
Cocoa	**Mar**	**May**	**Mar**	**May**
600	32	47	5	13
650	6	20	29	36
700		7	73	73
Brent Crude	**Apr**	**May**	**Apr**	**May**
1950	54	67	14	57
2000	24	46	36	
2050	12	28		

US MARKETS

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	417.1	412.4	417.7	413.5
Mar	418.1	413.6	0	0
Apr	420.8	416.2	421.5	416.3
Jun	426.3	421.6	426.8	421.6
Aug	431.5	426.6	431.5	427.3
Oct	436.7	431.7	0	0
Dec	441.9	436.8	442.0	437.7
Feb	447.4	442.2	446.0	446.5
Apr	452.8	447.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	519.4	516.9	520.0	520.0
Mar	520.0	0	0	0
Apr	525.4	522.9	529.0	522.5
Jul	530.3	527.9	533.0	527.5
Oct	535.8	533.4	538.0	534.5
Jan	541.5	539.0	543.0	543.0
Apr	547.3	547.4	552.0	548.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	532.8	531.7	535.0	535.0
Mar	534.0	533.0	536.4	531.5
Apr	536.2	537.2	0	0
May	542.4	541.5	547.0	540.0
Jul	550.7	549.8	555.0	546.5
Sep	559.4	558.5	563.5	559.0
Dec	571.2	570.3	576.5	570.5
Jan	574.6	573.7	0	0
Mar	583.3	582.4	589.0	585.0
May	591.5	590.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	112.85	108.50	112.85	111.50
Mar	111.35	107.05	111.60	108.55
Apr	108.80	105.05	108.80	107.20
May	105.85	103.45	106.00	104.60
Jun	103.85	102.25	0	0
Jul	102.20	101.05	102.60	101.10
Aug	101.25	100.35	0	0
Sep	100.30	99.85	100.70	100.50
Oct	99.70	99.20	0	0
Nov	99.10	98.70	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 16	Feb 15	mnth ago	yr ago
1804.5	1793.5	1769.6	1939.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 16	Feb 14	mnth ago	yr ago
Spot	130.08	129.89	128.90	134.15
Futures	132.03	131.94	130.41	137.08

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	22.42	22.64	22.86	22.21
Apr	22.17	22.43	22.43	22.02
May	21.97	22.24	22.21	21.80
Jun	21.76	22.04	22.00	21.68
Jul	21.52	21.80	21.74	21.42
Aug	21.27	21.55	21.52	21.18
Sep	21.06	21.41	21.34	20.95
Oct	20.98	21.29	20.98	20.92
Nov	20.90	21.25	21.04	20.88
Dec	20.86	21.19	20.97	20.86

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5715	5865	5865	5700
Apr	5840	5796	5790	5620
Jun	5460	5597	5595	5450
Aug	5535	5652	5605	5520
Sep	5630	5747	5745	5630
Oct	5760	5812	5760	5760

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	997	981	1000	979
May	987	972	989	976
Jul	993	982	995	987
Sep	1010	1001	1012	1004
Dec	1035	1027	1036	1020
Mar	1055	1045	1063	1053
May	1067	1058	0	0
Jul	1083	1071	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	85.81	84.98	86.80	84.60
May	88.73	87.32	89.40	86.80
Jul	90.51	89.01	91.15	88.75
Sep	92.17	90.71	92.50	90.40
Dec	93.86	93.00	94.50	92.50
Mar	95.88	94.38	96.50	96.50
May	97.00	95.75	0	0
Jul	98.43	98.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.78	14.74	14.83	14.66
May	14.85	14.77	14.85	14.70
Jul	14.66	14.65	14.69	14.56
Oct	14.29	14.27	14.30	14.16
Mar	13.57	13.55	13.59	13.48
May	13.45	13.42	0	0
Jul	13.36	13.32	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	69.20	69.53	69.80	69.05
May	70.60	70.98	71.05	70.50
Jul	70.90	71.32	71.40	70.75
Oct	67.40	67.69	67.65	67.35
Dec	66.15	66.05	66.30	65.80
Mar	67.00	66.70	66.75	66.55
May	67.55	67.30	67.50	67.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	199.65	201.20	200.60	198.60
May	195.15	195.25	195.70	194.10
Jul	191.60	191.25	192.25	190.80
Sep	188.30	188.50	188.90	186.00
Nov	182.60	182.25	183.00	182.00
Jan	179.30	179.00	0	0
Mar	179.30	179.00	0	0
May	179.30	179.00	0	0
Jul	179.30	179.00	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	569/6	571/0	571/2	568/0
May	581/4	583/2	583/2	580/0
Jul	593/4	594/6	595/0	591/4
Aug	596/4	597/6	598/2	595/0
Sep	593/4	595/0	596/0	593/4
Nov	599/2	600/4	599/6	597/4
Jan	608/0	610/4	609/0	607/0
Mar	618/0	620/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.94	20.11	20.13	19.88
May	20.22	20.37	20.38	20.20
Jul	20.34	20.48	20.46	20.31
Aug	20.30	20.42	20.40	20.28
Sep	20.26	20.36	20.30	20.25
Oct	20.05	20.23	20.21	20.05
Dec	20.05	20.27	20.25	20.01
Jan	20.02	20.20	20.20	20.02

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	166.2	165.6	166.7	164.9
May	170.1	170.0	170.7	169.2
Jul	174.3	173.9	174.9	173.3
Aug	176.3	175.7	176.3	175.0
Sep	177.5	177.5	177.8	177.0
Oct	178.5	178.6	179.0	178.0
Dec	181.6	5181.3	181.8	180.5
Jan	182.3	182.0	182.5	182.3

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	241/2	242/6	242/6	241/0
May	247/6	249/0	248/6	247/4
Jul	252/2	253/4	254/0	252/0
Sep	250/0	251/4	251/0	250/0
Dec	248/2	249/6	248/4	247/2
Mar	254/4	255/4	254/6	253/4
May	258/2	259/0	258/4	258/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	384/0	386/2	387/6	383/4
May	363/0	365/2	366/0	362/4
Jul	344/4	345/6	345/4	343/4
Sep	350/6	351/4	351/4	350/0
Dec	362/4	363/4	363/2	362/0
Mar	369/4	370/2	370/2	369/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	79.77	79.77	79.90	79.55
Apr	77.62	77.72	77.87	77.55
Jun	72.85	72.77	73.00	72.67
Aug	71.45	71.57	71.60	71.27
Oct	73.00	72.72	73.10	72.65
Dec	73.45	73.40	73.45	73.25
Feb	73.25	73.30	73.45	73.10

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	49.52	49.35	49.82	49.50
Apr	47.42	47.57	47.65	47.22
Jun	52.72	53.00	52.85	52.50
Jul	52.52	52.72	52.65	52.30
Aug	50.80	51.20	51.10	50.60
Oct	46.22	46.45	46.25	45.90
Dec	46.62	46.95	46.80	46.50
Feb	47.00	47.10	47.10	47.00

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	49.85	51.10	51.00	49.40
Mar	50.07	51.55	51.20	49.75
May	51.42	53.00	52.40	51.25
Jul	51.82	52.65	52.65	51.60
Aug	49.77	50.47	50.90	49.77
Feb	54.90	56.00	56.10	54.90
Mar	54.60	54.60	0	0

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Trade gain fails to buoy dollar

Good US trade figures did not provide any lasting support for the dollar yesterday. The currency lost ground after failing to sustain a break through technical resistance at DM1.7000. News that the US trade deficit narrowed to $7.2bn in December, from a revised $10.3bn in November, pushed the dollar up to a peak of DM1.7010, but special factors in the trade data and weak US industrial production last month brought it back to a low of DM1.6760 before the London close.

The dollar finished in London at DM1.6785, against DM1.6805 on Thursday. It fell to Y144.10 from Y144.40; to SFr1.4930 from SFr1.4945; and to FFr5.7050 from FFr5.7125. On Bank of England figures the dollar's index was unchanged at 67.1.

An improvement to about $9bn in the US trade gap was expected, but the even better figure was largely the result of renewed aircraft shipments by Boeing after a strike. Weak consumer demand in the US also helped reduce the deficit to its lowest level since 1984. A fall in January industrial production was expected, but only by about 0.6 per cent, or half the published drop of 1.2 per cent.

The D-Mark traded quietly, showing little movement against other European currencies, but losing ground to the Japanese yen. Dealers reported squaring of long D-Mark positions against the yen, ahead of tomorrow's general election in Japan. Signs of an improvement in the standing of the ruling Liberal Democrats, and speculation that the party will retain power, helped the yen.

At the London close the D-Mark had eased to Y85.85 from Y85.93. The West German currency was unchanged at FFr3.3990, as the French franc moved slightly above the Belgian franc at the bottom of the European Monetary System. The Italian lira remained the strongest EMS member, with the D-Mark easing to L741.75 from L742.05 at the London close.

Sterling's reaction to disappointing news on UK retail prices was muted. Hopes of a fall in the annual rate of inflation were dashed, but this is unlikely to have any impact on interest rates. The pound rose 20 points to $1.6955, and climbed to SFr2.5325 from SFr2.5300. It was unchanged at DM2.8450 while falling to Y244.25 from Y244.50 and to FFr9.6725 from FFr9.6750. According to the Bank of England sterling's index rose 0.1 to 89.7.

Recent volatile trading in the Australian dollar may have ended, according to dealers. A further easing of the Reserve Bank of Australia's monetary policy is not expected ahead of the general election on March 24. The currency closed at 75.60 US cents in London, rising from 75.05 cents on Thursday.

£ IN NEW YORK

Feb.16	Latest	Previous Close
£ Spot	1.6860-1.6870	1.6853-1.6863
1 month	0.87-0.86pm	0.86-0.85pm
3 months	2.72-2.69pm	2.72-2.69pm
12 months	9.40-9.30pm	9.65-9.55pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.16	Previous
8.30 am	[illegible]	[illegible]
9.00 am	[illegible]	[illegible]
10.00 am	[illegible]	[illegible]
11.00 am	[illegible]	[illegible]
Noon	[illegible]	[illegible]
1.00 pm	[illegible]	[illegible]
2.00 pm	[illegible]	[illegible]
3.00 pm	[illegible]	[illegible]
4.00 pm	[illegible]	[illegible]

CURRENCY RATES

Feb.16	Bank rate %	Special* Drawing Rights	European ‡ Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Feb.16	Bank of England Index	Morgan* Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Feb.16	£	$
[illegible]	[illegible]	[illegible]

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths.	6 mths	12 mths
US Dollar	1.6955	1.6869	1.6686	1.6431	1.5998
D-mark	2.8450	2.8304	2.8017	2.7647	2.7005
French Fr.	9.6725	9.6416	9.5854	9.5081	9.5498
Swiss Fr.	2.5325	2.5211	2.4986	2.4680	2.4098
Yen	244.25	242.75	239.77	235.54	228.03

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6775 - 1.6960	1.6950 - 1.6960	0.87-0.85cpm	6.09	2.71-2.68pm	6.36
Ireland†	1.5620 - 1.5810	1.5800 - 1.5810	0.41-0.36cpm	2.94	1.45-1.35pm	3.57
Canada	1.1965 - 1.2040	1.1995 - 1.2005	0.42-0.44cdis	-4.31	1.39-1.42dis	-4.69
Netherlands	1.8890 - 1.9170	1.8915 - 1.8925	0.10-0.12cdis	-0.69	0.37-0.40dis	-0.81
Belgium	35.00 - 35.50	35.00 - 35.10	2.00-8.00cdis	-1.70	14.00-24.00dis	-2.15
Denmark	6.47 - 6.55¼	6.47 - 6.47½	1.80-2.10oredis	-3.59	6.30-6.80dis	-4.02
W. Germany	1.6755 - 1.7020	1.6780 - 1.6790	0.02pm-par	0.07	0.10-0.13dis	-0.27
Portugal	148.50 - 149.00	148.50 - 148.60	75-85cdis	-6.41	300-325dis	-8.35
Spain	108.30 - 109.55	108.40 - 108.50	49-52cdis	-5.56	168-176dis	-6.31
Italy	1244 - 1260½	1244½ - 1245½	3.50-5.50liredis	-4.31	13.00-15.00dis	-4.47
Norway	6.46½ - 6.53¼	6.46¼ - 6.47	1.30-1.55oredis	-2.63	4.60-5.00dis	-2.95
France	5.69½ - 5.77½	5.70¼ - 5.70½	1.06-1.09cdis	-2.25	3.94-4.04dis	-2.78
Sweden	6.12¼ - 6.19	6.12¼ - 6.13¼	N/A	N/A	N/A	N/A
Japan	144.05 - 145.10	144.05 - 144.15	0.16-0.14ypm	1.24	0.36-0.34pm	0.97
Austria	11.90¼ - 11.94½	11.90½ - 11.91	0.30pm-0.10grdis	0.10	0.40-1.60dis	-0.34
Switzerland	1.4900 - 1.5120	1.4925 - 1.4935	0.06-0.11cdis	-0.68	0.33-0.42dis	-1.00
ECU†	1.2010 - 1.2160	1.2155 - 1.2165	0.44-0.41cpm	4.19	1.28-1.23pm	4.13

Commercial rates taken towards the end of London trading.† UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.20-35.30.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6775 - 1.6960	1.6950 - 1.6960	0.87-0.85cpm	6.09	2.71-2.68pm	6.36
Canada	2.0185 - 2.0360	2.0300 - 2.0310	0.34-0.27cpm	1.80	0.97-0.88pm	1.82
Netherlands	3.20¼ - 3.22	3.20¼ - 3.21¼	1¼-1⅛cpm	5.38	4⅜-4⅛pm	5.69
Belgium	59.40 - 59.80	59.40 - 59.50	25-20cpm	4.94	66-63pm	4.34
Denmark	10.95¾ - 11.06	10.97 - 10.98	2⅞-2⅛orepm	2.60	7⅛-6½pm	2.48
Ireland	1.0705 - 1.0825	1.0745 - 1.0755	0.30-0.25ppm	3.07	0.90-0.80pm	3.16
W. Germany	2.84¼ - 2.86	2.84¼ - 2.84¾	1¾-1½pfpm	7.43	4⅞-4⅝pm	6.24
Portugal	250.75 - 252.25	251.05 - 252.05	3-14cdis	-0.41	92-137dis	-1.82
Spain	183.45 - 184.95	183.45 - 183.75	12-6cpm	0.59	17-2pm	0.21
Italy	2110½ - 2120¼	2110½ - 2111½	4-2lirepm	1.71	11-9pm	1.89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Feb 16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Feb.16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.351	0.596	1.	85.87	3.400	0.890	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.095	6.942	11.65	1000.	39.59	10.37	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.034	1.753	2.941	252.6	10.	2.619	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.395	0.670	1.123	96.45	3.819	1.	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.312	0.529	0.887	76.15	3.015	0.790	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	0.803	1.348	115.7	4.582	1.200	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.492	0.835	1.401	120.3	4.763	1.247	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.682	2.853	4.786	410.9	16.27	4.261	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

London rates steady

INTEREST RATES were little changed on the London money market yesterday, in spite of disappointment that the annual UK inflation rate was unchanged at 7.7 per cent for January. It had been hoped the rate would fall and that the worst might be over on the inflation front, but recent developments, including higher mortgage rates, have led to suggestions that the inflation rate might touch 8 per cent in the next few months. Three-month sterling interbank was quoted at 15¼-15⅛ per cent, against 15⅜-15¼ on Thursday.

UK clearing bank base lending rate 15 per cent from October 5

On Liffe June short sterling futures fell through technical support at 85.18, to a low of 85.13, before closing at 85.15, compared with 85.22 previously.

The Bank of England initially forecast a day-to-day credit shortage of £350m, but revised this to £300m in the afternoon. The authorities did not operate in the market during the morning; in the afternoon £257m bills were bought in band 2 at 14¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £84m, with a rise in the note circulation absorbing £435m and bank balances below target £40m. These outweighed Exchequer transactions adding £200m to liquidity.

The average rate of discount at yesterday's tender for £500m of 91-day UK Treasury bills fell to 14.4853 from 14.4955 per cent. Another £200m of 182-day bills attracted an average rate of 14.0161 per cent, against 13.9802 last week.

In New York the Federal Reserve drained funds, via four-day matched sale and repurchase agreements when Federal funds were trading at 8¼ per cent.

In Frankfurt call money fell to 7.70 from 7.75 per cent. Banks have been well supplied with liquidity so far this month, but tax payments are expected to drain funds from the money market next week. Reserve holdings at the Bundesbank averaged DM62.1bn for the first 14 days of February, against an expected requirement for the whole month of about DM59bn to DM59.5bn.

In Paris the the Bank of France left its money market intervention rate at 10 per cent and the five to 10-day repurchase rate at 10¾ per cent, when injecting funds at a securities repurchase tender.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.16)	3 months US dollars		6 months US Dollars	
	bid 8¼	offer 8⅜	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	[illegible]		One month	[illegible]
Broker loan rate	[illegible]		Two month	[illegible]
Fed funds	[illegible]		Three month	[illegible]
Fed funds at intervention	[illegible]		Six month	[illegible]

Feb.16	Overnight	One Month	Three Months	Six Months	Lombard Intervention
Frankfurt	7.70-7.80	[illegible]	[illegible]	[illegible]	8.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Feb 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 14⅛ per cent; three months 14⅛ per cent; Bank Bills (sell): one-month 14⅝ per cent; three months 14⅜ per cent; Treasury Bills: Average tender rate of discount 14.4853 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1990. Agreed rates for period February 26 1990 to March 25, 1990, Scheme I: 15.89 p.c., Schemes II & III: 16.43 p.c. Reference rate for period Dec. 30, 1989 to January 31, 1990, Scheme IV&V: 15.199 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from February 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURO FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANK RETURN

BANKING DEPARTMENT	Wednesday February 14, 1990	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	58,083,853	+ 1,483,085
Bankers Deposits	1,606,583,648	+ 89,224,404
Reserve and other Accounts	2,074,762,543	- 22,785,122
	3,753,983,042	+ 67,892,367
ASSETS		
Government Securities	1,313,584,500	- 4,825,124
Advance and other Accounts	574,309,835	- 167,847,286
Premises Equipment & other Secs	1,852,488,256	+ 230,474,732
Notes	13,369,209	+ 9,793,787
Coin	233,242	- 3,742
	3,753,983,042	+ 67,892,367
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	14,936,630,791	- 39,793,787
Notes in Banking Department	13,369,209	+ 9,793,787
	14,950,000,000	- 30,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	11,561,592,248	+ 1,686,701,703
Other Securities	3,377,392,652	- 1,716,701,703
	14,950,000,000	- 30,000,000

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bank.	15	Westpac Bank Corp.	15
Beneficial Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm Bk N East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

No. of bargains included 1873

Treasury 9% Ln 2008 "B" – £96¾ (9Fe90)

Corporation and County Stocks

No. of bargains included 6

Greater London Council 6¾% Stk 90/92 – £96½

LONDON STOCK EXCHANGE

Equities end the week on firm note

THE RECOVERY of confidence in the UK equity market continued yesterday despite disappointing statistics on domestic inflation. Better news came from across the Atlantic where the US trade deficit came in much lower than expected; but London's initially optimistic response was discouraged by a slow start on Wall Street.

The mood of the market remained confident, with UBS Phillips & Drew joining the list of London-based securities houses to shift to a more bullish tack. However, business volume, briefly hoisted by a trading programme in the previous session fell away again. Seaq volume of 436.8m shares

Account Dealing Dates		
*First Dealings:		
Jan 29	Feb 12	Feb 26
Option Declarations:		
Feb 8	Feb 22	Mar 8
Last Dealings:		
Feb 9	Feb 23	Mar 9
Account Day:		
Feb 19	Mar 5	Mar 19

*New time dealings may take place from 9.00 am two business days earlier

compared with 632.7m on Thursday. Business was ularly thin in late dealings as the first week of the account ended.

The stock market opened in good form and early gains were barely disturbed by the announcement that the Retail Price Index (RPI) had risen by an annualised 7.7 per cent in January. The rise was greater than expected and several equity strategists warned that with home loan rates now rising again, domestic inflation could even reach 8.5 per cent this Spring.

UK Government bonds, unsettled both by the RPI number and by Treasury data showing that the Budget surplus halved over the first ten months of 1989-90, turned down again to show losses ranging almost to a full point at the longer end.

At mid-session, the news that the US monthly trade deficit had shrunk to $7.17bn in December from $10.3bn in the previous month reached London and share prices moved up afresh to show a net gain of more than 20 FT-SE points. However, Wall Street showed concern over the 1.2 per cent fall in US industrial production in January and was only 3.83 ahead when London closed.

Deprived of encouragement from the US market, which will be closed on Monday for President's Day, UK equities lost heart and ended below the best of the day. The final reading showed the FT-SE at 2,325.9, a gain of 12.1 on the day.

The market has managed to gain just over 12 Footsie points on the week, having rallied steadily from a sharp fall on Monday when problems at Drexel Burnham Lambert, the US junk bond specialist, surfaced. The resilience of the US and Japanese bond markets in the face of the Drexel collapse has helped London.

UK stocks also stood up well to the rise this week in loan rates by Abbey National, second largest lender in the British home loan market, and to some unsettling corporate news. However, while most analysts remain confident of a strong equity performance in the second half of the year, others have warned of increasing electoral support for the UK Opposition parties as Budget day approaches.

Action in the drug sector

Two pharmaceutical sector leaders, Glaxo and Fisons, were among the day's best performing FT-SE 100 stocks. The former continued Thursday's good run on the back of a Kleinwort Benson recommendation.

Glaxo shares got a further boost yesterday from the publication of letters in The Lancet, the UK medical journal, in which Glaxo and two other companies, Merck and Astra, disagreed over the safety of Losec, the Astra product, which is a potential rival to Zantac, the world's best selling drug and the source of half Glaxo's profits. Analysts were unwilling to pronounce on the debate, but pointed out that even the possibility of difficulties for Losec was good for Glaxo. The shares peaked at 749p before settling at 743p, up 11 on on the day as 3.8m shares changed hands.

Fisons' performance reflected the efforts of several brokers to publicise the company's performance in the US. "Fisons' December sales figures in dollar terms are up 40%," explained Mr Robin Gilbert of James Capel. The shares added 6 at 386p on a steady 3m turnover.

Mixed views on BP

BP continued to attract a good two-way business after fourth quarter figures on Thursday. The shares edged up 2 more to 348½p on turnover of 8.5m, having touched 351p at one point, and showed a rise of 7 over the week.

Specialists said sentiment towards BP remained positive and had been reinforced by comments from Sir Peter Walters, the soon to retire chairman, predicting that crude oil prices would reach $25 a barrel by 1995.

BZW, whose oil team recently issued a note forecasting that oil prices will reach $28 a barrel in the mid-nineties,continued to rate the shares a buy, labelling them as "the best play on the upward pressures on oil prices in the 1990s."

But other brokers were more cautious. County NatWest said the stock "looks expensive relative to the market," while Nomura said "a prospective multiple of 3.5 times 1990 earnings is too expensive for a stock which will be hindered by sluggish mainstream business performance over the current year." Hoare Govett said the share rated a "hold" but added that a change in sentiment regarding the oil sector was anticipated at some stage when the negative influences at work are taken on board by the investment community. Kitcat & Aitken said BP "are resting on their yield of 6.2 per cent prospective – we would like to buy nearer 7 per cent, or 305p."

FKI profit warning

FKI weakened in heavy trade of 10m shares as the company gave a profits warning. The shares fell 2 to 58p, the lowest level since FKI was demerged from Babcock last year. The company said profits for the year to March 1990 would be 20 per cent below the £68.8m made last year. It blamed a disappointing second-half trading performance in its North American business.

Severe market conditions in the automotive industry and a softening in demand in other operational areas were cited as further problems.

Following the announcement, Mr Jim Ross, electricals analyst at James Capel, cut his current year forecast to £55m and that for next year to £59m. The profits warning, he said, had been widely discounted, but he expected the shares to be weak relative to the market until there were signs that the management's recovery programme was showing progress.

Stores continued the previous day's improved form with rises across the board. S. G. Warburg published a bullish circular on the sector. Its theme was that although life is still tough on the shop floor, management was managing its way through the difficulties in the short term, and that falling base rates would help in the medium term.

Mr Tim Kirkwood at Warburg put Marks and Spencer, up 3 at 211p, at the top of his buy list, adding that if the sector began to rise strongly he would additionally recommend recovery stocks. He was also bullish on Burton, whose share price has suffered from publicity on the company's high exposure to the property market. "The strains are largely discounted in the price," said Mr Kirkwood. Burton climbed 8 to 191p.

The water stocks, although mixed and tending to close below their best, nevertheless attracted heavy trading again, with dealers noting a number of short positions in the market. "There has been an element of panic buying in a couple of the stocks," said one trader.

The Water Package rose to £1755 before closing a net 22 higher at £1745. Severn Trent added 4½ more 157½p on 3.7m while North West rose 4 to 170p on 2m and Thames the same amount to 169½p on 3.5m. South West Water, which sailed through the 200p mark on Thursday, progressed further to touch 208p before ending the session a net 2 higher at 202p.

Mr Christopher Murphy of Shearson Lehman Hutton said the sector "remains very attractive," and described it as the most secure in the UK market." But he recommended clients to switch out of Southern Water (up 3 at 167p), saying the resignation of the managing director was "worrying," and into South West, "yielding 6.9 per cent," or Severn Trent, "vastly underrated," according to Mr Murphy.

US buying helped British Airways firm 4½ to 199½p, while BAA retreated 4 to 382p as profit-taking developed after the previous day's sharp rise on the news that the Office of Fair Trading would not refer the company to the Monopolies and Mergers Commission.

A ruling in a French court that Eurotunnel had to give TML, the consortium building the Channel tunnel, £62m in unpaid fees left the shares another 20 lower at 553p. Eurotunnel fell 73 on the week, undermined by a public row over the role of Mr Alastair Morton, the joint chairman. Mr Clive Anderson at Kitcat & Aitken took a cautiously positive view, saying "The court decision is a symptom of the personality clash in the relationship between Eurotunnel and TML. It is a problem that can be solved."

Grand Metropolitan firmed 5 to 597p on news that the company was to sell the leases of 220 pubs to Control Securities £45.85m.

Standard Chartered, one of the market's longest-running so-called takeover targets, advanced 10 more to 615p with dealers noting persistent demand from the Far East.

GEC were a vulnerable market, closing 4⅛ off at 217½ on turnover of 9m, despite what was described by the host, Smith New Court, as a positive lunch. GEC was said to have been particularly enthusiastic over the merger with Alsthom, which has resulted in a huge order book. Mr Mike Styles of Smith said GEC offered "good earnings per share growth and a solid dividend yield." Other analysts remain concerned over the performance of some of the Plessey businesses acquired last year.

Bennett & Fountain moved up 4 to 33p following a buy recommendation issued by UBS Phillips & Drew. Mr Nizam Hamid at UBS said the company was poised to return to profit in the current year, anticipated further disposals to reduce gearing below 90 per cent by the year end and said prospects for the payment of a final dividend appeared reasonable.

The market continued to appreciate the wisdom of Gestetner, the office equipment group, which on Thursday announced a £65.2m rights issue (not £37m as reported here) to partly finance the acquisition of the non US operations of Nashua's Office Systems Businesses for a total of £111.6m. The shares added 16 to 226p.

Kleen-e-Ze gained 25 to 158p before retreating to close 15 up at 148p as the company announced it was seeking a buyer for its industrial operations which "no longer fit into the groups long term strategy." The company said it planned to concentrate on its direct marketing operations.

Shares in USM-listed Just Rubber raced forward 63 to 135p on the announcement of an agreed bid from Scapa, the Blackburn-based specialist paper and fabrics group. The offer values Just rubber at £10.5m though there was talk in the market that Scapa, slightly easier at 153p, may have payed too much for the company.

Christies International, the auction house, was once again a firm market, adding 5 to 329p on continued speculation that Aska International, the Japanese art gallery with a 6.4 per cent stake in Christies, would soon make a bid. However, an analyst said: "I'd be surprised about a Japanese company going into a business in which it has no expertise."

Defence worries continued to plague Smith Industries and the shares gave up another 3 to 228p. County Natwest, which recently issued a positive 48 page review on the company, believes: "The poor performance of the shares over the last twelve months can be largely attributed to concern about the outlook for defence spending. We believe that the falls have been overdone as there is unlikely to be a significant reduction in conventional forces until the mid 1990s." This, County says, should give Smith Industries enough time to seek out new growth areas.

Camford Engineering were wanted and the shares gained 27 to 243p as talk of a bid from Markheath Securities which holds a stake of some 29 per cent.

Takeover speculation continued to boost Asda following a report that Metro, a Swiss food group, was to play an important role in a bid involving Canada's Belzberg brothers. The report said that Metro was interested in becoming a major UK operator, though it did not specify what its role in any bid would be.

Analysts were largely sceptical of the idea that a bid for Asda could soon be launched. "It can't be totally ruled out. But I tend to believe it is unlikely. The business has got problems. And the difficulties in the junk bond market may make financing a problem," said one. In the traded options market Asda was the second busiest stock, turning over the equivalent of 1.9m shares. Asda finished 2 higher at 113p on volume of 10m.

Kwik Save gained 3 to 547p despite talk of a profits downgrading by S. G. Warburg for 1990 from £92m to £87m. Warburg analysts were unwilling to comment. However, dealers said Warburg appeared to catching up with other downgradings. Mr Andrew Fowler of Charterhouse Tilney met Kwik Save on Thursday and said he would be sticking to his £90m forecast. "The cost pressures which held back profits in the first half will begin to fade in the second," he said.

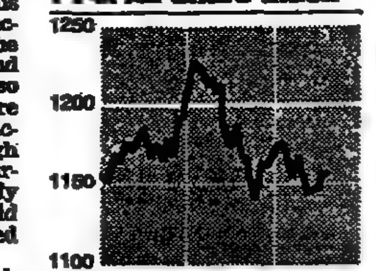
United Biscuits added 7 to 344p as Kitcat & Aitken continued to buy stock. Mr Carl Short of Kitcat said UB had underperformed the market and had good growth prospects this year. Unigate gained 5 to 305p on scattered speculation that Mr Larry Goodman, the Irish businessman, had picked up 1m shares.

Priest Marians rose 13 to 278p after Grovewood Securities announced on Thurday that it had taken a 13.8 per cent stake. After the market closed, it was announced that Grovewood had approached Priest Marians and might make an offer.

LASMO, after strong support from one securities house, settled 17 higher at 626p on turnover of 1.5m while Shell, reporting fourth quarter figures on Wednesday, improved 8 to 488p on 4.5m.

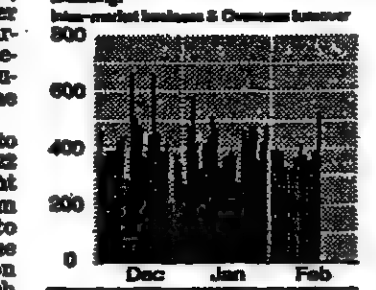
Other Market statistics, including the FT-Actuaries share Index Page 9; recent issues (including the water issue stocks), Page 8.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Feb 16	Feb 15	Feb 14	Feb 13	Feb 12	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	80.46	80.87	81.36	81.11	80.89	89.08	89.29 (8/2/89)	80.48 (16/2/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.77	91.00	91.24	90.98	91.34	98.55	99.59 (15/3/89)	90.77 (16/2/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1836.6	1829.5	1822.4	1818.1	1810.6	1676.1	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	298.4	292.3	288.3	328.8	344.2	154.7	378.5 (6/2/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2325.9	2313.8	2298.3	2293.2	2286.9	2042.9	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.70	4.71	4.73	4.73	4.75	4.33				
Earning Yld %(full)	11.45	11.38	11.43	11.44	11.48	10.79				
P/E Ratio(Net)(☆)	10.57	10.63	10.59	10.58	10.54	11.26				
SEAQ Bargains(5pm)	27,485	25,443	24,198	24,025	24,580	23,255				
Equity Turnover(£m)†	-	1026.85	817.29	774.41	658.44	1491.67				
Equity Bargains†	-	25,219	24,033	24,158	25,200	28,113				
Shares Traded (ml)†	-	524.8	389.5	355.8	377.5	655.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.52

Ordinary Share Index, Hourly changes — Day's High 1842.7 — Day's Low 1833.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1835.8	1834.5	1837.2	1838.2	1838.3	1841.8	1839.3	1834.8

FT-SE, Hourly changes — Day's High 2334.4 — Day's Low 2319.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2322.1	2321.0	2325.7	2327.9	2328.1	2333.1	2329.5	2324.9

GILT EDGED ACTIVITY

Indices*	Feb 15	Feb 14
Gilt Edged Bargains	90.7	90.2
5-Day average	90.7	88.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	450	169½	-½
ASDA Group	10,000	113	+2
Abbey National	1,400	193½	+2½
Allied-Lyons	430	462	+2
Amstrad	3,000	37	-½
Argyll Group	1,000	213	+5
Ass. Brit. Foods	6	400	
BAA	546	382	-4
BAT Inds.	1,300	810	+1
BET	913	246	+1
BICC	1,800	420	-3
BOC	255	624	
BPB Inds.	561	294	+2
BTR	2,300	414	-3
Barclays	1,600	532	+6
Bass	337	986	+3
Beazer	626	147	-2
Berisford Int.	91	129	
Blue Arrow	200	91	+½
Blue Circle	1,050	235	+2
Boots	2,400	270	+1
Brit. & Comm.	306	72	
Brit. Aerospace	1,000	[illegible]	
British Airways	1,200	199½	+4½
British Gas	7,400	225	+½
British Land	14	398	+2
BP	8,500	348½	+2
British Steel	2,380	137	+1
British Telecom	5,400	306½	-1½
Bunzl	2,300	169	
Burmah Oil	61	658	+5
Burton	2,400	191	+8
Cable & Wire.	1,450	533	+4
Cadburys	1,300	337	+2
Calor Group	244	367	-2
Carlton Comms.	189	773	+5
Coats Viyella	867	132	
Comm. Union	462	509	+6
Cookson	1,000	242	-2
Courtaulds	1,200	365	
Dalgety	397	378	
Dixons	528	129	
Eng. China Clays	623	395	-4
Enterprise Oil	465	646	+2
FKI	10,000	58	-2
Ferranti	7,800	40	+½
Fisons	2,000	386	+6
Gen. Accident	87	1140	+6
General Elect.	9,000	217½	-4½
Glaxo	3,800	743	+11
Globe Inv.	332	181	+½
Glynwed Int.	253	285	-3
Granada	84	320	+1
Grand Met.	1,800	597	+5
GUS A	390	1045	+15
GRE	884	247	+2
GKN	599	485	+5
Guinness	1,020	681	+1
Hammerson 'A'	256	780	+4
Hanson	38	230½	+½
Hanson Warrants	4,700	59½	
Harrisons Cros.	886	146	-1
Hawker Sidd.	870	844	+8
Hillsdown	879	288	+4
IMI	75	209	
ICI	1,580	1085	
Inchcape	394	272	-1
Kingfisher	1,800	286	+2
Ladbroke	1,380	302	+2
Land Securities	130	487	+2
Laporte	83	312	+1
Legal & General	276	384	+1
Lloyds Abbey	49	319	
Lloyds Bank	1,600	291	+3
LASMO	1,580	626	+17
Lonrho	1,200	284	+8
Lucas	335	559	
MB Group	389	218	
MEPC	257	504	+2
Marks & Spencer	4,200	211	+3
Maxwell Comm.	285	208	
Mecca Leisure	66	161	+1
Midland Bank	461	382	-2
NatWest Bank	3,800	340	+3
Next	3,900	104	+1
Northern Foods	227	304	+1
Pearson	2,700	795	-5
P & O	488	618	+7
Pilkington	2,700	219	
Polly Peck Intl.	4,200	409	+3
Prudential	1,100	212	+1
RHM	181	416	+1
RMC	576	615	+3
RTZ	1,070	488	+6
Racal	2,280	232	+1
Racal Telecom	478	383	+4
Rank Org.	255	794	+4
Reckitt & Colman	529	1139	
Redland	552	532	+3
Reed Intl.	1,000	427	+3
Reuters	1,100	1085	+4
Rolls Royce	1,200	173	
Rothmans	27	638	
Ryl Bk Scotland	805	184	-1
Royal Insurance	588	514	+4
STC	3,000	258½	-3½
Saatchi	779	225	
Sainsbury	470	287	+4
Scottish & New.	580	222	-1
Sears	2,400	105½	+1
Sedgwick	22	294	
Shell Transport	4,400	469	+8
Siebe	469	436	+9
Slough Ests.	25	305	+3
Smith (W.H.) A	915	322	-3
Smith & Nephew	1,000	120	-½
SmKl Beecham	3,600	529½	-1½
SmKl Beecham Units	9	2445	-13
Smiths Inds.	160	228	-3
Standard Chartd.	1,000	615	+10
Storehouse	3,100	117	+1
Sun Alliance	31	317	+2
Sun Life	1	1353	-2
T&N	491	294	
TI Group	154	427	
TSB	1,800	139	+3
Tarmac	1,400	228	+6
Tate & Lyle	2,800	308	+½
Taylor Woodrow	539	276	+2
Tesco	2,500	204	+3
Thames Water	3,500	169½	+4
THORN EMI	137	746	+4
Trafalgar House	492	330	-3
Trusthouse Forte	1,100	289	-1
Ultramar	837	377½	-4½
Unigate	344	305	+5
Unilever	1,000	855	+7
United Biscuits	1,700	344	+7
Utd. Newspapers	577	389	
Wellcome	226	865	+2
Whitbread 'A'	417	387	+5
Williams Hldgs.	1,300	342	
Willis Faber	38	285	+1
Wimpey	290	247	+3

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (67).
AMERICANS (1) Fluor Corp., CANADIANS (1) Varity Corp., BANKS (2) Schroders, Do. N/V, Standard Chartered, BUILDINGS (1) Bree. CHEMICALS (1) Caird 7p Cv. Pf. 2005, ENGINEERING (1) Thyssen, FOODS (1) Fisher (A.), INDUSTRIALS (5) Bavis Hldgs., Chiral Light, Just Rubber, MB 7.25p Cv. Pf., RCO, INSURANCE (1) Dominion & Gen., LEISURE (1) Pickwick, TRUSTS (2) Fledgeling Japan, New Frontiers 6½pc I.n. 2010, WATER (5) Anglian Water, North West Water, Severn Trent, South West Water, Southern Water, [illegible], OILS (1) B.P.
NEW LOWS (47).
BRITISH FUNDS (3) Consols 4pc., Treas. 7¾pc 2012/15, INT.BANK & O'SEAS GOVT. STLG. ISSUES (3) African Dev. Bk. 11¼pc 2010, Asian Dev. Bk. 10¾pc 2009, European Inv. Bk. 11pc 2002, FOREIGN BONDS (1) Ireland 9¾pc 1991/96, CANADIANS (3) Granges, [illegible], Royal Bk. Canada, BANKS (3) Anglo 8½pc 1989, [illegible], BREWERS (1) Greene King, BUILDINGS (1) Maunders (John), CHEMICALS (1) Perstorp B, STORES (3) Automagic, [illegible], Pepe, ELECTRICALS (3) Emess 6¼pc Cv. Pf., FKI, Holmes Protection, HOTELS (1) Regal Hotel, INDUSTRIALS (6) Norton, RKF, Sale Tilney, Sidlaw, Stonehill, LEISURE (3) TVS Ent., Trilion, NEWSPAPERS (1) Summer Int. 7½pc Cv. Pf., PAPERS (1) JMD, PROPERTY (3) Land Sec. 10pc Db. 2030, Do. 10pc 2025, de Morgan, TRUSTS (7) Brit. & Comm. 4½pc Cv. Pf., Fashion & Gen., Flagstone, Gen. Oriental, Greyfriars, Merlin Int. Green, [illegible] Cap & Inc., OILS (3) Brit. Petroleum 9pc Pf., Enterprise Oil 10¼pc 2013, Shell 7pc Pf., MINES (3) Bougainville, Forsyth, Northern Platinum, THIRD MARKET (1) Chemfix Int.

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	4	87	7	161	283	48
Corps. Dom. & Foreign Bonds	1	8	28	18	31	136
Industrials	363	282	963	1,464	1,912	4,626
Financial and Props	193	102	401	694	820	1,958
Oils	41	23	28	146	140	174
Plantations	0	0	10	4	6	40
Mines	49	38	71	138	312	[illegible]
Others	112	40	94	368	388	626
Totals	763	586	1,622	2,988	3,880	7,948

LEADERS AND LAGGARDS

Percentage changes since December 29 1989 based on Thursday February 15 1990

Water	+	4.81	Brewers and Distillers	-	4.84
Packaging & Paper	+	3.44	Motors	-	5.20
Merchant Banks	+	3.39	Consumer Group	-	5.23
Agencies	+	2.39	Gold Mines Index	-	5.44
Electronics	+	0.12	Leisure	-	5.51
Telephone Networks	-	0.38	Contracting,Construction	-	6.05
Food Retailing	-	0.36	Property	-	6.09
Stores	-	1.00	Investment Trusts	-	6.24
Conglomerates	-	1.08	Capital Goods	-	6.26
Oil & Gas	-	1.07	Insurance(Brokers)	-	6.61
Metals & Metal Forming	-	1.22	Insurance(Life)	-	6.88
Other Groups	-	1.83	Food Manufacturing	-	7.07
Banks	-	2.86	Publishing & Printing	-	7.13
Textiles	-	3.86	Electricals	-	7.59
Transport	-	3.85	Building Materials	-	7.94
Chemicals	-	3.91	Insurance(Composite)	-	8.49
500 Share Index	-	3.91	Health & Household Products	-	9.21
All Share Index	-	4.18	Other Industrial Materials	-	9.96
Engineering-General	-	4.35	Engineering-Aerospace	-	11.69
Industrial Group	-	4.38	Overseas Traders	-	12.25
Financial Group	-	4.78			

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-23	-6/32	12.45	12.29	12.24
		10.500	5/99	95-19	-15/32	11.45	11.32	11.18
		9.000	10/08	87-18	-19/32	10.63	10.36	10.21
US TREASURY *		8.500	02/00	100-16	-1/32	0.00	0.00	0.00
		8.500	02/20	100-13	+2/32	0.00	0.00	0.00
JAPAN	No 119	4.800	6/99	85.3992	-0.196	6.84	6.66	6.64
	No 2	5.700	3/07	94.8281	-0.311	6.33	6.30	6.47
GERMANY		7.125	12/99	90.2500	-0.460	8.63	8.44	7.80
FRANCE	BTAN	8.000	10/94	89.9957	-0.152	10.82	10.49	10.17
	OAT	8.125	5/99	87.7200	-0.580	10.22	9.94	9.51
CANADA *		9.250	12/99	98.0500	+0.050	10.39	10.05	9.82
NETHERLANDS		7.500	11/99	90.6300	-0.190	8.96	8.57	8.12
AUSTRALIA		12.000	7/99	93.6830	-0.202	13.16	12.87	12.98

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Analysts cautious on nickel rise

IN RECENT years the London Metal Exchange nickel market has become a byword for volatility, the 1988 price surge from $8,000 to $22,000 a tonne being followed by an erratic decline to January's low of $5,887.50. So, with weekly changes still regularly exceeding $400 a tonne, analysts are understandably wary of hailing any price spike, however impressive, as the end of the long bear trend.

Their restraint has been severely tested by this week's $1,487.50 rise to $7,837.50 a tonne in the LME cash price but most are still on the side of the bears.

"The fact of the matter is that there will be a big surplus of nickel this year," says Mr John Harris of London broker Rudolf Wolff. Some consumers have come back to the market to rebuild stocks a little earlier than expected, he explains, and this has prompted "a lot of panic-buying." But he expects that the market will "come to its senses in a couple of weeks" and settle a little below current levels.

Mr Jim Lennon of Shearson Lehman Hutton is not so sure. A few weeks ago he was still a convinced bear, but now he admits to taking a slightly more "agnostic" view.

He points to an upturn in US orders for stainless steel, the downward trend in which had been largely responsible for the earlier decline in nickel demand. A knock-on effect of that, he adds, has been a sharp fall in US exports to Europe of stainless steel scrap, an important source of secondary nickel, which has led to a scramble by consumers to cover supply requirements.

But Mr Lennon sees this scramble as a short-term factor – "on paper," he says, "the market should be well oversupplied this year." Even after the announcement of a series of production curbs by smelters he still expects nickel supply to outstrip consumption by about 40,000 tonnes this year.

The LME copper market provided an illustration this week of the fact that a price rise can be more impressive if there is no apparent reason for it.

Apart for a continued drawdown from LME warehouse stocks, which last week reached a 15-week low, there was little fundamental news to account for the cash price's £75.50 rise to £1,435 a tonne. So the rise was interpreted by many traders as confirmation that the earlier bear trend was broken.

The market was being restrained by chart resistance a few pounds above last night's closing level but breach of that resistance could signal a further £65-a-tonne rise, the traders said.

Aluminium also made good ground, helped by the by the International Primary Aluminium Institute's announcement of an unexpected fall in non-communist world stocks of the metal in the final quarter of last year. After Far Eastern buying had pushed the three months delivery price through resistance at $1,500 a tonne yesterday the cash price closed at $1,507 a tonne, up $67 on the week.

Traders warned, however, that a sustained rise was not to be expected as consumer demand was still thin and LME stocks were relatively high, having doubled over the past 10 weeks to 93,150 tonnes. Last week's 6,675-tonne stocks rise had pushed the cash price down to $1,418 a tonne at Tuesday's close.

A bigger-than-expected rise in LME stocks also weighed down the zinc market early in the week, but a surge of chart-based speculative buying yesterday left the cash price $43 up on balance at $1,438 a tonne.

In contrast, a further fall in the exchange's lead stocks, to a two-year low, failed to elicit much response, and the cash lead price ended only £1 ahead on the week at £447 a tonne, after see-sawing between £444 and £449 a tonne.

Tin's continuing bearish fundamentals pushed the cash LME price down to $6,150 a tonne on Thursday but the price rallied with the other metals yesterday to end the week at $6,220 a tonne, down $90 on balance.

The coffee market weathered the disappearance of two bullish factors before ending the week well ahead.

Rain in Brazil eased fears of drought damage to the coffee crop and yesterday it appeared that a threatened dock workers' strike there had been averted. In addition President Bush's statement on leaving drugs talks in Colombia that the US would work towards creating a new coffee pact, while warning that the country's consumers did not want to pay higher prices was not thought, overall, to be encouraging.

Nevertheless, renewed strength on the New York market enabled the London robusta futures market to recoup early losses yesterday and finish with the May position £13 up at £620 a tonne, a gain of £29 on the week.

Richard Mooney

APPOINTMENTS

Commercial director for Vickers Defence Systems

VICKERS DEFENCE SYSTEMS has appointed Mr John Crowther (pictured) as commercial director. He joins from British Aerospace where he has been an executive director since 1986.

In his new post he will be responsible for contracts and procurement at both the Armstrong Works in Newcastle, and the Barnbow Works in Leeds. The company is a division of Vickers.

Mr Don S. Passey has been appointed construction director of BEECH CONSTRUCTION, Deeside. He was construction manager.

■ Mr Hans-Jürgen Quelsser has been appointed managing director of BURNS FRY INTERNATIONAL INC, London. He was resident director of the Geneva office. Mr Roger Graham becomes equity sales manager. The parent company is a Canadian equity dealer.

■ Mr R.O. Dove has been appointed director of AMTAC LABORATORIES' quality management services, based at Altrincham.

■ Mr David Muir has been appointed director of sales and marketing at MICROVITEC, Bradford.

■ Mr Nigel Day has been appointed director and general manager at TELEMOTIVE UK, a member of Davy Corporation's services division.

■ LAMBERT HOWARTH GROUP has appointed Mr Roger Rowland as a director. He will succeed the present chairman, Mr Michael Jourdan, who intends to retire after the annual meeting in April. Mr Alun Evans, group financial controller, has been appointed group financial director.

■ AI TUSKAR RESOURCES Mr Ian J. Cooling has been apppointed to the board of directors of the holding company subsidiary Tuskar International. He is responsible for new ventures and negotiations. Mr Cooling was managing director of a British oil and gas consultancy.

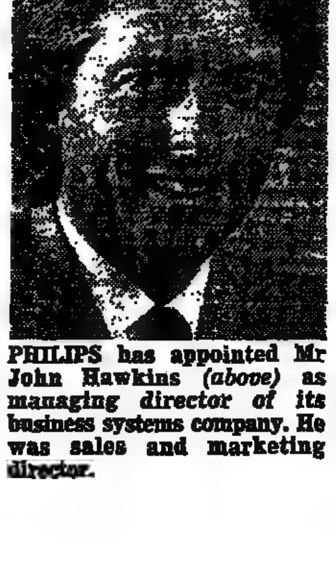
■ The OLDWAY PROPERTY GROUP has appointed Mr Geoffrey Davies as its finance director and deputy chief executive. He joins from Spicer and Oppenheim, where he was the partner responsible for auditing in the firm's business services department in the Cardiff office.

■ Mr John Bygate has been made managing director of the DOCKLANDS LIGHT RAILWAY. He was general manager (railway extensions) of the Hong Kong Mass Transit Railway.

■ Mr Barrie Smith, formerly a senior manager at Lombard North Central in the City of London, has become general manager-leasing at NIKKO BANK (UK).

■ LANDIS & GYR COMMUNICATIONS (UK) has appointed Mr David McCormack as director of business development. He joins from GPT's pay phone division where he was director of sales. Landis & Gyr Building Control (UK) has appointed Mr Matt Shields as director of human resources. He was personnel director at Satchwell Control Systems.

■ NENPLAS EXTRUDING CO, a McKechnie Group company, has appointed Mr Alan M. Emery as managing director. He moves to the Ashbourne, Derbyshire, company from financial director at sister company Harrison Drape.



PHILIPS has appointed Mr John Hawkins (above) as managing director of its business systems company. He was sales and marketing director.

■ PARRISH STOCKBROKERS has appointed the following as directors: Mr Rupert Baron, Mr Jeremy Harris-St John, Mrs Maria Jordan, Miss Maria Neary, and Mr Peter Sich.

■ CHESCOR has appointed Mr Robert Adair as an executive director to specialise in corporate finance. He is chairman of Terrace Hill Group and managing director-finance of Trinity Estates.

AMEC sector chairmen

AMEC has appointed as sector chairmen: Mr Malcolm Hawe, housing and property; Mr Mike Kersey, mechanical and electrical; Mr Bill Dale, sector chairman and chief executive for AUST-AMEC Pty (Australian operations); and Mr David Beardsmore, sector chairman and chief executive for AMEC Holdings, Inc (US operations).

■ Mr Michael Gatenby, vice chairman of Charterhouse Bank, has been appointed a director of CHARTERHOUSE, part of the Royal Bank of Scotland Group.

■ Mr Greg G. Porter has been appointed commercial director of RS COMPONENTS, a subsidiary of Electrocomponents. He joins from Nabisco (U.K.).

■ CORPORATE RISK, independent insurance broker, has appointed Mr Bernard Dunn as finance director. He was regional development director for Bowring in Scotland. Mr John S. Elder joins as a director of Corporate Pensions and Financial Services. He was with Stirling Hendry Financial Services.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or −	Yield Grs
High Income						
American Income	6	49.75	49.75xd	53.21	+0.35	5.15
Gilts & Fixed Int	6	105.8	105.8	112.1	−0.2	[illegible]
High Inc Equity	6	135.8	135.8xd	145.3	+1.0	[illegible]
Worldwide Bond	6	193.7	193.7xd	205.3	−0.3	[illegible]
Capital Growth						
American Growth	6	183.4	183.7xd	195.0	+2.6	1.12
Asian Pacific	6	127.1	127.1	136.0	+1.0	0.00
Assets & Earnings	6	157.2	157.2	166.2	+1.4	3.09
Capital Reserve Acc	0	88.56	88.56	88.63	−0.01	6.77
Capital Reserve Inc	0	78.58	78.58	78.64	−0.01	7.63
Cmdty & Energy	6	111.6	111.6	119.4	−1.7	0.78
Dividend & Growth	6	46.67	47.71	50.76	....	4.43
1992 Enterprise	6	62.01	62.01	66.33	+0.26	2.44
Euro Capital Acc	6	98.62	99.35	105.7	+0.2	0.98
Euro Capital Inc	6	95.09	95.78	101.9	+0.2	0.93
General	6	176.1	176.1xd	188.4	+1.3	2.65
International	6	61.57	62.23xd	66.21	+0.32	0.76
Japan	6	116.3	116.3	124.6	+0.6	0.00
Mastertrust	6	90.51	90.51	96.81	+0.47	1.47
UK Growth Acc	6	181.9	181.9	194.6	+1.4	1.98
UK Growth Dist	6	120.2	120.2	128.6	+0.8	2.98
US Emerging Cos	6	32.35	33.09	37.24	+0.75	0.00
Income & Growth	6	302.3	302.3	323.4	+2.9	3.17
Ethical	6	48.65	49.43	53.12	+0.30	[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by unit purchasers. These charges are included in the price when the consumer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ◆ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	47.95	49.05xd	52.31	+0.89	1.03
(Accum Units)	5	49.34	50.48xd	53.83	-0.91	1.03
European Opps	5	70.95	71.22	75.97	+0.36	0.00
(Accum Units)	5	71.34	71.62	76.38	+0.36	0.00
Far Eastern Opps	5	138.68	138.90	148.15	+1.31	0.00
(Accum Units)	5	139.56	139.79	149.10	+1.32	0.00
Golden Opps	5	45.79	46.06xd	49.12	-0.11	0.00
(Accum Units)	5	47.08	47.37xd	50.52	-0.12	0.00
Intl Hi-Yield	5	58.13	58.61xd	62.50	+0.49	4.40
(Accum Units)	5	63.10	63.62xd	67.86	+0.54	4.40
Sanyo Japan Tst	5	72.87	72.87	77.71	——	0.00
(Accum Units)	5	72.87	72.87	77.71	——	0.00
Kangaroo	5	32.59	32.59	34.75	-0.02	1.50
(Accum Units)	5	32.78	32.78	34.95	-0.02	1.50
Oriental Income	5	34.79	34.79	37.10	+0.50	5.05
(Accum Units)	5	39.00	39.00	41.59	+0.56	5.05
Pacific Technology	5	60.20	60.20	64.21	+0.32	0.00
(Accum Units)	5	60.69	60.69	64.73	+0.32	0.00
Tiger	5	150.43	150.79	160.83	+1.53	0.69
(Accum Units)	5	152.78	153.14	163.34	+1.56	0.69
UK Hi-Yield	5	44.15	44.15	47.09	+0.26	4.86
(Accum Units)	5	50.48	50.48	53.84	+0.30	4.86
UK Opps	5	55.75	58.14xd	62.17	+2.31	1.63
(Accum Units)	5	60.67	63.26xd	67.64	+1.44	1.63
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Rd, Washington NE37 2SH 091 415 2034						
Balanced Portfolio	6	93.65	94.86	100.92	+0.75	4.00
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250						
4 Hourly Pricing—12 Noon Historic						
TR American Gwth	5¼	44.69	44.69	47.66	+0.52	0
TR Eur Sp Sits Acc	5¼	41.21	41.21	43.87	+0.26	0
TR Eur Sp Sits Inc	5¼	40.41	40.41	43.02	+0.25	0
TR General Growth	5¼	74.60	74.60xd	79.36	+0.28	2.82
TR Global Tech	5¼	70.90	70.90	75.62	+0.55	0
TR Income Growth	5¼	87.50	88.00xd	93.61	+0.41	4.50
TR Income Monthly	5¼	55.59	55.59	59.13	-0.25	6.88
TR Japan Growth	5¼	98.17	98.17	104.2	+0.58	0
TR Overseas Growth	5¼	67.92	67.92	72.40	+0.70	0

	Bid Price	Offer Price	+ or -	Yield Gr's
J. Rothschild Fund Managers Ltd				
Intl Exempt	145.3	147.0	——	1.42
Stewart Ivory & Co Ltd				
Saints PPP Jan 21	264.6	278.6	——	–
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Feb 15	101.75	107.01xd	——	3.84
(Accum Units)	102.36	108.47xd	——	3.84
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1087	1101	——	7.08
TR Exempt Nth Amer	896	911	——	3.58
TR Exempt Pac Basin	999	1012	——	6

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
Investment Mngt. M & G Ins Mngt Ltd				
AA Friendly Sy Feb 9	–	173.3	——	–
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	301.4	317.3		–
Equity Ser. 1	133.4	140.5	+1.3	–
Prop. Acc. Ser 2	464.7	489.2		–
Equity Ser 2	154.7	162.9	+1.5	–
Selective Acc.	348.0	366.4	+1.5	–
Prop. Ser. 4	362.9	382.0		–
Equity Ser. 4	156.4	164.7	+1.2	–
Man. Ser 4	445.2	468.7	+2.2	–

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	104.5	110.1	−0.4	−
Managed Growth	140.8	148.3	+0.2	−
Managed Opportunity	145.1	152.8	+0.2	−
NFMC Target Financial	101.8	107.2	−0.3	−
Pension Funds				
Managed Cautionary	109.2	115.0	−0.5	−
Managed Growth	145.4	153.1	+0.4	−
Managed Opportunity	148.2	156.1	+0.3	−
NFMC Target Mngd Pens	1544.1	1625.4	+17.1	−

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	225.9	237.8	−	−
Managed Prospect Fund	189.6	199.6	−	−
Pens Managed	287.1	302.3	−	−
Pens UK Equity	344.1	362.3	−	−
Pens Overseas Equity	377.9	397.8	−	−
Pens Property	161.6	170.2	−	−
Pens Fixed Interest	177.1	186.5	−	−
Pens Index Linked	145.9	153.6	−	−
Pens Deposit	189.2	199.2	−	−
Harvester & F.R.P.				
UK Equity	150.3	158.3	−	−
Overseas Equity	135.2	142.4	−	−
Fixed Interest	121.1	127.5	−	−
Property	134.5	141.6	−	−
Index Linked	132.5	139.5	−	−
Deposit	131.2	138.2	−	−
Managed	144.6	152.3	−	−
With Profits	134.7	141.9	−	−

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	344.7	362.9	+2.0	−
UK Equity	444.5	467.9	+3.6	−
Overseas Eq.	353.2	371.8	+3.3	−
Americas	256.8	270.4	+3.3	−
Far East	407.2	428.7	+1.3	−
Property	220.4	232.0	+0.3	−
Fixed Int.	218.6	230.2	−0.7	−
Indexed Gilt	136.8	144.0	−1.0	−
Deposit	159.5	167.9	+0.1	−
Pension Fund (Accum Units)				
Managed	464.4	488.9	+2.8	−
UK Equity	551.2	580.3	+4.5	−
Overseas Eq.	570.8	600.9	+4.5	−
Americas	339.4	357.3	+4.6	−
Far East	679.4	715.2	+2.6	−
Property	270.8	285.1	+0.6	−
Fixed Int.	262.6	276.5	−0.5	−
Indexed Gilt	150.0	157.9	−1.1	−
Deposit	213.6	224.9	−	−
NPI Pensions Management Ltd				
Managed Fund	1096.4	1116.0	−	−

Prices February 1 Next dealing March 1

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	65.6	69.1	+0.3	−
Stock Market Mngd Fund	64.5	67.9	+0.5	−
Equity Fund	68.6	72.2	+0.5	−
International Fund	61.6	64.8	+0.4	−
European Fund	70.2	73.9	+0.5	−
North American Fund	56.3	59.3	+0.8	−
Pacific Fund	70.7	74.5	+0.4	−
Property Fund	85.8	90.4	−	−
Fixed Interest Fund	51.1	53.8	−0.2	−
Index linked Sec Fund	56.4	59.4	−0.4	−
Deposit Fund	60.9	64.2	−	−
NUAM Retirement Plans				

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DUBLIN (**)

OFFSHORE INSURANCES

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

OTHER OFFSHORE FUNDS

Mercury 90:10 Trust (Sicav)

	Bid Price	Offer Price	+ or -	Yield Gross
Dollar Fd BOPUPs	$10.65	10.66	—	—
Dollar Fd OPUPs	$12.93	13.07	—	—
Sterling Fd BOPUPs	£10.76	10.77	—	—
Sterling Fd OPUPs	£14.03	14.18	—	—
DM Fd BOPUPs	DM10.31	10.32	—	—
DM Fd OPUPs	DM12.78	12.92	—	—
Yen Fd BOPUPs	$8.32	8.33	—	—
Yen Fd OPUPs	$12.78	12.92	—	—

Wardley Investment Services Ltd

Wardley S.E. Asia Tst.	$12.62	13.39	—	0.82

Wells Fargo U.S. IT Fund

NAV Feb 14		$9.61	—	—

Yamaichi Dynamic Mngt Co SA

Advanced Tech.		$27.10	—	—

Money Market Trust Funds

Charities Aid Fndtn Money Mngmt Co Ltd
48 Pembury Road, Tonbridge TN9 2JD 0732 770114

	Gross	Net	Gr Equiv CAR	Int Cr
Cafcash Deposit Fd.	14.72	—	15.56	3-mth

The Charities Deposit Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Gross	Net	Gr Equiv CAR	Int Cr
Deposit	14.80	—	15.64	3-Mth

Gartmore Money Management Ltd
2-3 White Hart Yard, London SE1R 1NX 01-236 1425

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fnd.	14.57	11.40	15.64	6-Mth
7-day Fund	14.74	11.53	15.82	6 Mth
Special Fund	14.72	—	16.20	Mth
Dollar	7.06	5.53	7.52	3 Mth

Money Market Bank Accounts

Aitken Hume Bank plc
30 City Road, EC1Y 2AY. 01-638 6070

	Gross	Net	Gr Equiv CAR	Int Cr
Treasury Acc.	13.50	10.56	14.64	Qtr
Mth Int Chq £1,000-£4,999	13.50	10.56	14.77	Mth
Mth Int Chq £5,000-£49,999	14.00	10.95	15.35	Mth
Mth Int Chq £50,000+	14.50	11.35	15.94	Mth

Allied Trust Bank Ltd
97-101 Cannon St, London, EC4N 5AD 01-629 6802

	Gross	Net	Gr Equiv CAR	Int Cr
OMNIA (£2,001 +)	14.50	11.35	15.94	Mth
HICA (£2,001 +)	13.90	10.88	15.248	Mth

Bank of Ireland High Interest Cheque Acc
36 Queen St, EC4R 1BN. 01-625 7000

	Gross	Net	Gr Equiv CAR	Int Cr
2,000-9,999	13.738	10.750	14.922	Qtr
£10,000+	14.058	11.000	15.283	Qtr

Bank of Scotland
38 Threadneedle St, EC2P 2EH. 01-601 6746

	Gross	Net	Gr Equiv CAR	Int Cr
Money Mkt Cheque Acc	13.6	10.64	14.91	Mth

UNIT TRUST NOTES

WORLD STOCK MARKETS

US MARKETS (3pm)

February 16	US$	+ or −
AAR	31¼	+¼
AMCA	3⅞	+⅛
AMR Corp	55⅝	+⅝
ASA	58⅝	+⅞
Abbott Labs	65½	−¼
Acme Cleveland	9¼	+⅛
Adobe Res	13	−⅛
Advanced Micro	7¼	+⅛
Aetna Life	51⅛	+1⅛
Ahll Publ.	10⅝	+⅛
Ahmanson (H.F.)	19¼	−⅛
Air Prod & Chem	45	−⅛
Alberto-Culver	43½	—
Albertson's	50⅛	+1
Alcan Aluminium	19¼	+¼
Alco Standard	30¼	+⅛
Alexander & Al	26⅛	+⅛
Alex Baldwin	33¼	—
Allegheny Power	40¼	—
Allied Signal	35⅞	−⅜
Aluminium Co of Am	62⅞	+1⅜
Amax	23⅜	+⅜
Amdahl Corp	14⅜	−⅛
Amerada Hess	49⅞	—
Am Brands	65¼	−⅛
Am Cyanamid	50⅝	+⅛
Am Elect Power	30⅞	—
Am Express	28⅞	+⅛
Am Family	15¼	−⅛
Am Gen Corp	28⅝	+¼
Am Greetings	31⅞	−⅛
Am Home Prod	101⅛	−⅜
Am Intl Group	96⅞	+⅛
Am National Insce.	33½	—
Am Petrofina	81	—
Am Stores	56¼	+⅛
Am T & T	39⅞	−⅛
Ameritech	57	−⅛
Ames Dept Stores	5⅞	−⅛
Ametek Inc	12⅛	+⅛
Amoco Corp	56⅝	+⅜
AMP	46⅞	−⅛

INDICES

NEW YORK

DOW JONES	Feb 15	Feb 14	Feb 13	Feb 12	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2649.55	2624.32	2624.10	2619.14	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	91.35	91.35	91.49	91.32	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1081.26	1083.21	1084.10	1075.75	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.96	222.21	222.40	221.45	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2658.78 (2643.69) Low 2614.86 (2608.11)

STANDARD AND POOR'S	Feb 15	Feb 14	Feb 13	Feb 12	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	334.90	332.01	331.02	330.08	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	386.51	383.13	382.31	381.28	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	28.53	28.05	27.81	27.74	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	184.70	183.21	182.85	182.55	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	359.60	358.78	358.45	358.87	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	429.61	426.56	425.75	426.38	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb 9	Feb 2	Jan 26	year ago (approx.)
Dow Industrial Div. Yield	4.09	4.16	4.20	3.63

	Feb 7	Jan 31	Jan 24	year ago (approx.)
S & P Industrial div. yield	3.09	3.13	3.11	3.13
S & P Indl. P/E ratio	14.23	14.04	14.09	13.63

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Growth Fd	7,795,800	13	—
Readers	7,624,800	22	—
Citicorp	3,068,300	25	+ 1½
Global Marine	2,494,500	5⅝	+ ⅛
Varity Corp	2,038,600	3⅛	—
BankAmerica	1,992,000	28½	+ 1½
Baker Hughes	1,802,100	26⅝	+ ¼
Chase Manhattan	1,555,600	29¼	+ 1¼
Eastman Kodak	1,538,100	38⅞	+ ⅛
Gen Motors	1,529,600	44	+ 1

TRADING ACTIVITY

† Volume Millions	Feb 15	Feb 14	Feb 13
New York	174.630	139.458	144.440
Amex	11.397	9.433	10.035
NASDAQ	152.376	139.539	127.225
Issues Traded	1,951	1,941	1,962
Rises	899	740	678
Falls	564	684	793
Unchanged	488	517	491
New Highs	32	23	16
New Lows	61	70	90

CANADA

TORONTO	Feb 15	Feb 14	Feb 13	Feb 12	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3017.93	2972.35	2947.19	2933.48	3919.2 (1/9/89)	2933.48 (12/2/90)
Composite	3732.74	3750.38	3751.86	3766.27	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1898.09	1899.14	1897.74	1899.14	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 16	Feb 15	Feb 14	Feb 13	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1641.4	1638.5	1636.6	1628.2	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	840.5	841.5	838.4	834.9	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	655.06	634.15	622.32	624.15	655.06 (16/2/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	5890.53	5810.61	5800.06	5850.07	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	373.65	372.36	372.50	371.64	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	658.7	656.5	656.7	659.8	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	509.05	505.65	507.32	509.45	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1871.12	1856.86	1853.99	1845.43	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	791.13	772.40	769.05	776.47	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2308.2	2261.6	2250.6	2273.9	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1893.66	1850.96	1832.23	1840.98	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2939.25	2918.04	2870.43	2863.55	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1818.31	1818.18	1821.78	1828.56	1893.10 (22/1/90)	1368.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	675.94	666.11	663.86	666.55	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37460.32	37471.99	37156.89	37107.05	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2746.05	2742.21	2723.30	2722.33	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4261.26	4261.03	4254.68	4273.95	4284.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	614.37	610.37	606.89	610.92	614.37 (16/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	253.3	250.9	249.3	249.3	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	194.3	192.5	191.2	191.3	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	816.41	798.33	798.08	795.37	816.41 (16/2/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1040.35	1034.48	1059.07	1056.10	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	440.17	439.57	436.73	438.75	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	1948.0§	1947.0	1921.0	2029.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	3078.0§	3076.0	3051.0	3135.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	872.50	874.09	872.63	866.57	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	283.55	283.05	282.60	283.34	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	(u)	(u)	(u)	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	775.6	771.1	767.3	767.2	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	11659.50	12026.03	12231.91	12126.96	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	824.90	802.30	794.73	795.12	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	542.2	538.9	537.6	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Feb. 10: Taiwan Weighted Price: 12495.34 Korea Comp Ex. 873.59

§ Subject to official recalculation.

Base values of all indices are 100 except; Brussels SE, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

Better trade data fail to cause excitement for Dow

Wall Street

BETTER-than-expected trade figures and signs of a further slowdown in the US manufacturing and consumer sectors failed to cause excitement on Wall Street yesterday, *writes Anatole Kaletsky in New York.*

The Dow Jones Industrial Average opened higher but then drifted throughout the morning. At 2 pm it stood at 2,654.05, up 4.50 points from its overnight close. The Dow rose 25.23 points on Thursday. Volume was moderate, with 102m shares changing hands by early afternoon and gains outnumbered declining shares by about four to three.

The main news of the day came before the opening bell, with the official announcements of December trade figures and January capacity utilisation and industrial production. All of the figures were outside the range of market expectations and pointed in the same direction – towards an economy which was slowing abruptly, at least during the early winter months.

However, analysts refused to read too much into any of the statistics, arguing that weather and other distortions made accurate interpretations almost impossible.

The trade figures showed the US trade deficit falling sharply in December to $7.17bn from a revised $10.29bn in November.

The Wall Street consensus for the December deficit had been $9.1bn. Industrial production fell by 1.2 per cent in January and capacity utilisation declined to 81.9 per cent, from 83.1 per cent the month before.

The bond market shrugged aside the indications of a weaker-than-expected economy, partly because of doubts about the accuracy of the statistics and partly because of continuing concerns about the extremely rapid rise in interest rates abroad. The Treasury's long bond was unchanged at lunchtime at 100½, a price at which it yielded 8.45 per cent.

In the stock market, most of the blue chips were narrowly mixed, with little evidence of strong sectoral leadership.

IBM rose by $½ to $104¾, while Digital Equipment fell $⅝ to $76¼. Among the industrial leaders, General Motors traded at $44, giving back $⅛ of its big gains on Thursday, while General Electric rose $⅛ to $63.

Among the busiest individual issues was Hewlett-Packard, which fell $1⅞ to $45⅞ after reporting disappointing results. Its net income in the latest fiscal quarter fell by more than 10 per cent.

Castle & Cooke jumped by $3⅛ to $34⅞ as the market reacted to an announcement late on Thursday that the big food processing company would spin off its Dole fruit operations to shareholders as a separate company.

Global Marine rose $⅛ to $6 in heavy trading after Norsk Viking Olje of Norway announced that it had a 5 per cent stake.

Canada

INVESTORS waited on the sidelines in Toronto for the result of the Japanese elections and the Canadian federal budget. Stocks were mixed in sluggish trade.

The composite index rose 8.6 to 3,741.3 on volume of 13.4m shares. Declines led advances 263 to 172.

Echo Bay Mines dropped C$2¼ to C$20¼ following an analysts' meeting at which the company announced a loss in fourth quarter earnings.

SOUTH AFRICA

GOLD shares closed mixed and the rest of the Johannesburg market also drifted in nervous trading after Thursday's partial rally from recent lows.

Drug companies find a formula for success

Jacqueline Moore examines the promise and pitfalls of a sector driven by stories

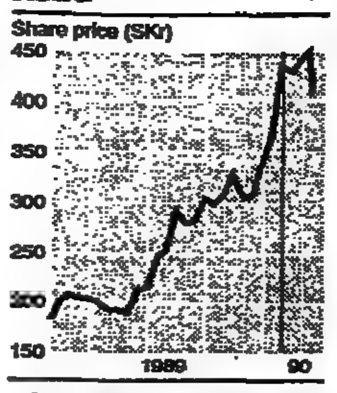
AMERICA is proving a powerful lure for Europe's pharmaceutical businesses, as companies and stock market investors alike recognise the need to be in the biggest market in the world for drug products.

This can be an expensive business. The Swiss-based Hoffmann-La Roche closed a deal to acquire the US biotechnology company, Genentech, earlier this month and BNP Securities calculates that the acquisition will dilute Roche's net earnings by 7 per cent in 1990 and 4 per cent in 1991. On the Monday after the deal, Roche's Genusscheine, which are non-voting shares favoured by foreign investors, rose SFr65 to SFr3,765, reaching SFr3,870 yesterday.

Mr Ian Broadhurst, healthcare analyst at BNP Securities, says that, on balance, the move looks encouraging for Roche. "If it positively surprises on [1989] earnings and can make the acquisition work, then the net benefit can more than compensate for the dilution."

Corporate deals are not the only driving force behind the pharmaceutical sector. Investors rush into drugs when the economic outlook seems weak, because pharmaceutical company profits are less vulnerable to cyclical downturns. People do not stop being ill in the lean years, so demand for medicines and drugs remain high.

Astra



Comparing pharmaceutical stocks with their local market indices in Switzerland, the UK and the US, broker James Capel says: "It can be seen that in all cases, the sector outperforms the market during periods of slow corporate growth."

The most dramatic growth in pharmaceutical share prices, however, usually comes on new drug developments. "The sector is story-driven," says Ms Susan Haylock, pharmaceuticals analyst at brokers BZW, who explains that a hint of a new drug or approval for an existing product can send a price soaring.

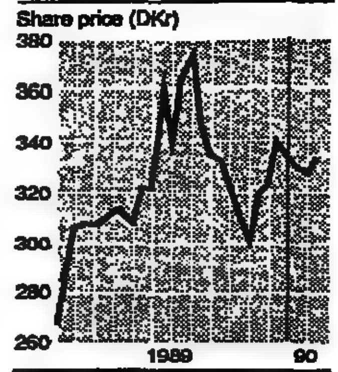
Shares of European companies are not as prone to sudden surges as those of UK groups such as Glaxo, because most continental businesses have interests in other sectors, such as agrochemicals. However, the Swedish company, Astra, described by Ms Haylock as "the purest pharmaceutical play on the Continent," has surged 118 per cent since the start of 1989, closing up SKr5 at SKr405 yesterday. This followed the introduction last year of its ulcer drug, Losec – currently the subject of a debate with Glaxo over side-effects – into the UK, US, French and German markets.

The typical pattern for a pharmaceutical share is a surge before, and at the time of, the launch of a drug, followed by underperformance for about a year before the earnings growth from the new product shows on the bottom line. "People find they are holding stock for a year or two with a very high price/earnings ratio; worries set in that the drug's potential is not as good as expected," says Ms Haylock.

Not all drug companies are thought to have rosy prospects. Those with older product ranges face increasing generic competition as patents expire. There are analysts, too, who believe that the current preference for pharmaceutical shares over the more cyclical chemical stocks could be overdone.

"There is the risk that the low p/e and cash flow multiples of cyclical businesses currently discount a more dramatic downturn than is likely, and that the growth [pharmaceutical] businesses are commanding a higher p/e premium . . . than is justified," says Shearson Lehmann Hutton in its latest Pharmabulletin.

Novo–Nordisk



In addition, the drug business is expected to become tougher over the next decade, as it faces higher research and development expenditure, increased marketing costs and lower retail prices in the face of greater competition. The need for European pharmaceutical companies to find a broader market for their products will become ever more pressing.

Some are paying for their experience. The French chemicals group, Rhône-Poulenc, recently announced the proposed acquisition of Rorer, the US pharmaceuticals company. Its share price fell after the announcement, amid worries about how it would finance the deal. However, analysts believe the deal could be a good, long-term, fundamental move, enhancing the French group's pharmaceutical and US exposure.

In parallel with US moves, European deals are being struck with the Japanese pharmaceutical industry: between Roche and Dainippon; and between Sanofi of France and Daiichi; while Schering of West Germany is also expected to see a strong increase in sales from a possible launch of its oral contraceptives in Japan in 1992.

Corporate deals within Europe are also on the increase. Novo-Nordisk of Denmark has just completed its first year as a combined company. Nikko Securities expects it to achieve steady profits growth – better than the Danish corporate average – this year: "The merger [of Novo] with Nordisk potentially creates a powerful force in the insulin market," it maintains.

Analysts say that Novo-Nordisk has been at an excessive discount to the Copenhagen market since March last year. Yesterday it closed at DKr332, a 24 per cent rise since the start of 1989, compared with a gain of 37 per cent in the bourse index.

EUROPE

Foreign investors return to a buoyant Frankfurt

FOREIGNERS FLOCKED back to Frankfurt yesterday and other bourses also took heart in a vigorous session, *writes Our Markets Staff.*

FRANKFURT advanced for a second day after its recent period of consolidation, as foreign investors returned to the market and traders squared positions taken earlier, when interest rate worries were to the fore.

Equities were not affected by the continued depression of domestic bonds. The DAX index advanced 42.68, or 2.3 per cent, to 1,893.66, after a midsession gain of 18.73, or 2.4 per cent, in the FAZ. Both indices were fractionally better on the week.

Sector preferences favoured recent laggards. The big chemical groups, back-markers for a long time, were strong as BASF put on DM8.50 to DM312, Bayer DM10.50 to DM317.50 and Hoechst DM19, or 6.3 per cent, to DM319. Some dealers pointed to the prospects of better dividends for 1989.

The banking sector, after its specific interest rate worries, saw Deutsche Bank up DM20.50 at DM824.50 and Commerzbank DM10.20 at DM310.70. Retailers were broadly higher after a fortnight of general weakness, with Horten rising DM16 to DM320, Karstadt DM19 to DM669 and Kaufhof DM17 to DM667.

Volume rebounded on the day from DM6.3bn to DM11.4bn. Veba topped the individual list again in turnover of DM1.5bn, its shares rising a relatively modest DM6.30 to DM452.

PARIS also ignored another slump in the domestic bond market, encouraged by news of the better-than-expected US December trade figures.

The CAC 40 index gained 14.26 to 1,871.12, reducing its decline over the week to 1.4 per cent. Turnover was estimated at FFr2.5bn, up on Thursday's FFr2.2bn.

Among losers on the day, Eurotunnel fell FFr3.40 to FFr53.50; news that contractor Transmanche Link had won its court claim for FFr600m was anticipated during the session, although the judgment came after the close. Compagnie Bancaire, which has predicted a difficult year ahead, lost FFr40 to FFr502.

LVMH, the drinks, luxury goods and luggage company, gained FFr110 to FFr4,850, after hitting FFr4,935. There was speculation that the Vuitton family, which holds a minority stake in LVMH, might throw in the towel in the battle for control of the company after news that the Vuittons had taken over Lanvin, the fashion and perfume business. Midland Bank SA, which sold its 95 per cent stake in Lanvin, gained FFr6.50 to FFr176.50. The company will be split between the Vuitton family's Orcofi holding company and L'Oréal, which rose FFr19 to FFr4,469.

Perrier continued to recoup some of the ground lost this week, adding FFr31 to FFr1,533.

AMSTERDAM edged higher, supported by a firmer local bond market, with the CBS tendency index rising 0.4 to 110.3. The market was almost unchanged over the week.

Heineken declined by 30 cents to Fl 110.7; news that the company had failed to win an injunction against strikes at two of its plants came after the market closed. Oce van der Grinten, the office automation company, rose Fl 8 to Fl 286 after it reported an 11 per cent gain in 1989 profits.

MILAN began the new account in confident fashion, with the Comit index rising 9.83 to 675.94, up 0.6 per cent on the week.

Fiat was reported to be buying back its stock again, as the shares rose L145 to L10,180. Banks fared well, partly on news that a draft law to transform Italy's state-owned banks into joint stock companies has been placed on Parliament's agenda for next week.

ZURICH ran into very active trading, with banking issues pacing the Crédit Suisse index, which rose 4.8 to 616.4 for a 0.2 per cent rise on the week. Hopes that leading banks will produce dividend increases for 1989 pulled the sector up, with Union Bank setting the pace at SFr4,065, up SFr55.

BRUSSELS firmed in bargain-hunting at the end of an otherwise bearish week. The cash market index rose 79.92 to 5,890.53, leaving it 3.5 per cent lower over the week.

Groupe Bruxelles Lambert, which on Wednesday wrote off its stake in Drexel, gained BFr130 to BFr4,120. GBL was helped by the announcement that Balcofi, the Flemish investment group, had taken a stake of more than 10 per cent.

STOCKHOLM recovered from sharp early losses after the three-week bank workers' strike was settled. The Affärsvärlden General index rose 18.8 to 1,174.8, a 5 per cent fall on the week. Turnover eased from SKr159 to SKr139m.

Prices fell sharply earlier in the week as the country's political crisis deepened, culminating in the Government's resignation on Thursday after the defeat of its austerity package in Parliament.

OSLO reached a record high in heavy trading with support from good corporate prospects and higher oil prices. The all-share index rose 12 to 618.85, up 2 per cent on the week and 15 per cent so far this year. Turnover was NKr780m.

HELSINKI firmed in quiet trade. The Unitas all-share index rose 2.2 to 658.7 for a 1 per cent fall since the previous Friday. More than 600,000 Rauma-Repola free shares were traded in two large deals, closing FM1 higher at FM46.

MADRID was little changed, with the general index up 0.50 at 288.55.

ASIA PACIFIC

Japan loses nerve in session before elections

Tokyo

THE JAPANESE market lost its nerve yesterday, ahead of tomorrow's national elections. After initial support from index buying and New York's overnight rise, share prices closed slightly lower, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei index moved between a high of 37,673.50 and a low of 37,405.47 before closing 11.67 lower at 37,460.32, up 0.5 per cent on the week. Gains led losses by 482 to 448 with 195 unchanged.

Volume remained thin at 520m shares, against 513m on Thursday. The Topix index of all listed stocks gained 3.84 to 2,746.05 and, in London, the ISE/Nikkei 50 Index rose 2.21 to 2,010.29.

"There was much less activity than I expected," said Mr Yusuke Fujiwara at Baring Securities. With the polls indicating the ruling party has a good chance of retaining its majority, equities might have taken a more positive stance.

The chances for a quick, complete recovery do not look good, said Mr Fujiwara. While prices have fallen to low levels, this has not prompted much bargain-hunting.

Special situations attracted some attention. Tekken Construction, the medium-sized construction company which has been emphasising its railroad construction interests, was third in volume with 11.8m shares and rose Y90 to Y1,860.

Tekken has allocated a substantial amount of new shares to East Japan Railway, a company likely to be listed in 1991. It is also building up its business in high-rise building construction and magnetic levitation linear motor car systems.

The market's sensitivity to bad news showed, as Canon fell Y100 to Y1,710 in active trading after it announced lower earnings projections than expected.

Leading securities houses saw gains after news that they would post record profits: Nomura Securities gained Y50 to Y3,160 and Yamaichi rose Y30 to Y1,750.

High-technology issues and railways were in demand in Osaka, where the OSE average climbed 122.09 to 38,697.79. Volume slipped to 57.9m from 62.3m on Thursday. Nintendo, the maker of video games which has been rising on the strength of its sales, encountered profit-taking and fell Y590 to Y17,700.

Roundup

HONG KONG resumed its upward path after a period of consolidation at the start of the week, while other Asia Pacific markets, particularly Singapore, were preoccupied by leading markets overseas.

HONG KONG rose strongly, although profit-taking tipped shares off their highs. The Hang Seng index closed 29.21 up at 2,939.25, after an early rise of 59 points; the index gained 1.6 per cent over the week. Turnover grew to HK$1.6bn from HK$1.2bn.

Wall Street's overnight rise, buying by institutions and the agreement between the UK and China on the pace of development of democracy in the colony all fuelled the rally.

SINGAPORE rose in moderately busy trading, encouraged by gains on Wall Street and in Tokyo. The optimistic mood was tempered, however, by caution before tomorrow's Japanese elections.

The Straits Times Industrial index gained 5.42 to 1,584.77, – a similar level to the previous Friday's close – in volume of 148m shares worth S$289m.

AUSTRALIA edged higher as investors moved to the sidelines with the announcement of a general election on March 24. The All Ordinaries index rose 2.9 to 1,641.4, to register a 0.6 per rise on the week.

With leading institutions out of the market, turnover shrank to 75m shares worth A$152m.

Western Mining, the resources group, continued to weaken after Thursday's announcement of poor profits. It eased 16 cents to A$5.66. Bougainville Copper, the mining company, shed 10 cents to A$1.05 on 2m shares as investors re-rated the stock.

TAIWAN suffered a sharp 3.1 per cent fall as confidence was damaged by uncertainty over the forthcoming presidential election. The weighted index, which shed 205.88 on Thursday, fell a further 366.53 to finish at 11,659.50, the lowest level since January 19 and a 6 per cent fall during the week.

KUALA LUMPUR rose to an all-time high on sustained bargain hunting. The composite index rose 4 to 614.37. MANILA crept higher in thin trade in spite of this week's military alert and fears of another coup attempt. The composite index put on 5.87 to 1,040.35.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY FEBRUARY 15 1990						WEDNESDAY FEBRUARY 14 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	143.34	+1.1	125.48	128.99	+0.2	5.34	141.82	123.94	128.78	160.41	128.28	137.78
Austria (19)	251.26	+1.2	219.95	219.39	+1.7	1.21	248.27	216.97	215.73	251.26	92.84	98.51
Belgium (61)	139.17	−0.3	121.83	120.46	+0.2	4.82	139.52	121.93	120.25	160.02	125.58	135.60
Canada (120)	139.81	−0.1	122.40	122.09	−0.2	3.38	139.94	122.29	122.31	154.17	124.67	134.83
Denmark (36)	252.39	−0.6	220.96	222.61	+0.0	1.44	253.85	221.85	222.61	260.82	165.35	158.48
Finland (26)	149.00	−0.7	130.44	123.59	−0.5	2.40	150.08	131.15	124.17	159.18	118.68	144.73
France (125)	146.69	−0.1	128.42	131.44	+0.4	2.86	146.83	128.32	130.94	157.97	112.57	116.51
West Germany (96)	129.28	−0.2	113.17	112.93	+0.4	1.88	129.48	113.15	112.51	137.01	79.56	85.57
Hong Kong (48)	119.51	+1.1	104.63	119.81	+1.1	4.79	118.24	103.33	118.54	140.39	86.41	128.81
Ireland (17)	192.11	−0.6	168.19	171.27	−0.3	2.44	193.28	168.90	171.86	198.57	125.00	138.23
Italy (96)	95.23	−0.3	83.37	88.69	+0.1	2.59	95.52	83.48	88.57	102.11	74.97	80.62
Japan (455)	185.03	+0.7	161.98	168.89	+0.8	0.48	183.70	160.54	167.50	200.11	164.22	197.89
Malaysia (36)	242.81	+0.6	212.57	252.44	+0.5	2.10	241.28	210.86	251.27	243.87	143.35	157.19
Mexico (13)	374.04	+0.1	327.45	1115.63	−0.1	0.46	373.84	326.71	1116.27	374.04	153.32	162.25
Netherland (43)	137.27	+0.1	120.18	118.57	+0.6	4.54	137.14	119.85	117.86	145.66	110.63	113.65
New Zealand (18)	67.23	+1.2	58.86	60.94	+0.5	5.68	66.46	58.08	60.61	88.18	62.64	72.97
Norway (24)	237.72	+0.0	208.11	208.92	+0.3	1.37	237.61	207.65	208.34	241.53	139.92	164.65
Singapore (26)	196.69	+0.7	172.20	168.96	+0.5	1.72	195.26	170.64	167.59	199.38	124.57	142.13
South Africa (60)	201.31	−1.2	176.24	160.30	+0.8	3.48	203.72	178.03	159.04	251.39	115.35	124.51
Spain (43)	155.03	−0.6	135.72	127.49	−0.2	4.12	155.96	136.29	127.78	169.75	148.14	145.30
Sweden (35)	185.06	−2.0	162.02	168.22	−1.7	2.17	188.80	164.99	171.19	206.95	138.45	150.97
Switzerland (62)	96.65	+0.5	84.62	89.55	+0.7	2.00	96.15	84.03	88.94	99.12	67.81	77.50
United Kingdom (306)	159.48	+0.4	139.62	139.62	+0.5	4.53	158.92	138.88	138.88	164.31	133.28	150.52
USA (542)	135.52	+0.9	118.64	135.52	+0.9	3.50	134.35	117.41	134.35	146.29	112.13	120.09
Europe (989)	141.87	+0.0	124.20	124.47	+0.4	3.44	141.81	123.93	123.99	146.66	112.63	119.59
Nordic (121)	192.04	−1.1	168.12	164.84	−0.7	1.80	194.20	169.72	166.07	201.69	137.96	146.94
Pacific Basin (667)	181.02	+0.7	158.47	165.37	+0.6	0.73	179.69	157.03	164.04	194.72	160.44	192.56
Euro – Pacific (1656)	165.56	+0.5	144.94	149.06	+0.7	1.67	164.74	143.97	148.06	174.18	141.56	163.39
North America (662)	135.68	+0.8	118.79	134.68	+0.6	3.49	134.59	117.62	133.60	146.66	112.79	120.88
Europe Ex. UK (683)	129.89	−0.2	113.71	115.10	+0.3	2.71	130.09	113.69	114.77	135.73	96.30	100.53
Pacific Ex. Japan (212)	132.80	+1.0	116.26	121.22	+0.5	4.73	131.45	114.88	120.59	140.05	111.93	128.75
World Ex. US (1849)	165.14	+0.5	144.58	148.55	+0.6	1.74	164.39	143.66	147.61	173.77	141.49	161.98
World Ex. UK (2085)	152.96	+0.6	133.92	144.58	+0.7	2.05	152.05	132.88	143.54	162.00	135.98	145.41
World Ex. So. Af. (2331)	153.25	+0.6	134.16	143.96	+0.7	2.27	152.33	133.12	142.95	161.84	136.57	145.99
World Ex. Japan (1936)	138.83	+0.5	121.54	131.36	+0.6	3.52	138.15	120.73	130.53	145.52	114.51	120.81
The World Index (2391)	153.54	+0.6	134.42	144.07	+0.7	2.28	152.64	133.40	143.08	162.06	136.68	145.86

Finland and Sweden: Trading on both the Helsinki and Stockholm exchanges has been reduced following a banking employees dispute.

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	256	+3	44c	1.4	7.8	9.1
191	134	Abbey National 10p	183½	+2½	17.7	2.7	5.6	7.5
*282	120½	Allied Irish Ord.	254	.....	†Q66%	3.3	3.2	13.1
£13½	£11¾	Algemene Fl.10	£12	+¼	Q28%	2.0	7.6	6.6
*85	61	Anglo Irish	85	.....	Q18.7%	2.7	5.2	11.6
81	57	Ansbacher (H.) 1p	76	.....	2.0	–	3.5	–
£72¼	£38¼	Bancaire Cie Fr100	£54¼	–3¼	hQ12¼%	–	2.4	–
£46⅛	£35¾	Banco Bilbao Viz.	£39	–¼	Q35.7%	2.0	3.5	14.3
£33	£25¼	Banco de Santander	£25¾	.....	Q21%	♦	3.3	♦
*286	169	Bank Ireland Ir£1	262	–2	hsQ12%	3.2	4.4	9.0
£19½	£17½	Bank Leumi	£19½	.....	–	–	–	–
350	345	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	88	Bank Scotland	120	.....	†3.8	3.6	4.2	[illegible]
111¼	95½	Do. 9¼pc Irrd Pf.	97½	.....	9¼%	–	12.6	–
*67	49	Bank of Wales	52	.....	2.8	1.6	7.2	10.9
*[illegible]	404	Barclays £1	552	+6	†23.0	3.5	5.6	6.3
31	19	Benchmark 20p	20	.....	1.63	1.0	10.8	11.5
363	285	Brown Shipley £1	314	.....	†10.5	–	4.5	–
455	325	Cater Allen £1	415	–2	23.5	–	7.6	–
259	157	Chancery	172	.....	†8.0	2.8	6.2	7.6
£23¾	£14½	Commerzbk DM10	£21¼	+⅛	Q18%	–	3.0	–
*£29	£22½	C'hgn. Hbk Kr100	£25⅜	.....	Q15%	–	5.6	–
£16⅞	£10¼	Dai Ichi KBk Y50	£12¼	+⅛	†Q16%	8.8	0.3	[illegible]
*£314¾	£156¼	Deutsche Bk DM50	£286¾	+6	Q24%	–	1.5	–
£22¼	£17⅝	Espirito Santo	£19⅝	–⅛	Q75c	3.3	2.3	13.2
260	182	First Nat. Fin. 10p	228	.....	13.0	2.4	8.0	6.7
[illegible]	90	FNFC 6.3pc Cv. Pf.	113	.....	6.3%	–	7.4	–
£16⅝	£13¼	Fuji Bank Y50	£14¼	+¼	Q15.6%	4.2	0.2	–
325	230	Gerrard & National	261	.....	18.5	–	8.8	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ●● Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ...γ	85	......
Craig & Rose £1..γ	830	......
Finlay Pkg. 5p ...γ	58	......
Holt (Jos) 25p ...γ	1353	+13

IRISH

Cap. 8½% Ln. 1991	£96⅛	......
9pc Cap Ln. 1996	£91¼	−¼
Fin. 13% 97/02	£106½	−2
Arnotts	405	......
Carrol (P.J.) ...γ	168	......
Hall (R. & H.)	190	+3
Heiton Hldgs ...γ	98xd	−2
IRG	210	......
United Drug	168	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons.	42
Comm Union	49
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd.	55
ICI	98
Jaguar	85
Ladbroke	25
Legal & Gen.	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Lonrho	29
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FINANCIAL TIMES
Weekend February 17/February 18 1990

Medical records of N-workers may be checked

By David Fishlock, David *Thomas and Ivor Owen*

THE medical records of more than 100,000 people who have worked with radioactivity in Britain since the 1940s may be investigated to seek links with childhood leukaemia.

The proposal follows the news that an official study has found a possible link between workers at the Sellafield nuclear reprocessing plant in Cumbria and the leukaemia contracted by some of their children.

The National Radiological Protection Board, the Government's watchdog on public exposure to radiation, has urged a nationwide follow-up study drawing on the national register of radiation workers. *Such a study could take two to* three years and cost upwards of $100,000.

Professor Martin Gardner, author of this week's study on leukaemia among children near Sellafield, will travel to Cumbria next week for discussions with representatives of the 6,500 workers there regularly exposed to radiation.

British Nuclear Fuels (BNFL), owner of the Sellafield plant, said yesterday that it would wait for its own discussions with *Professor Gardner* and for further studies ordered by the Government before deciding if any action needs to be taken.

However, Mr Jack Dromey, national officer of the Transport and General Workers' unions, said the Sellafield unions would press BNFL next week to extend its compensation scheme to children of employees who have contracted leukaemia.

BNFL has made payments to 15 Sellafield workers who have died of cancer since it introduced its scheme in 1982.

● Mr Paddy Ashdown, Liberal Democrat leader, claimed that a shutdown in electricity supplies could have led to a "melt-*down" at the Hinkley nuclear* power station in Somerset last Sunday.

The Liberal Democrat leader alleged that reactors at Hinkley were left without a cooling system for 20 minutes after gales knocked out power supplies.

However, Nuclear Electric said the reactors were shut down, totally safe and in a cooled state during the cut-out - something Mr Ashdown later accepted

Leukaemia link, Page 4

£3m invoice to Guinness 'was false,' court told

By Raymond Hughes, Law Courts Correspondent

SIR JACK LYONS, the millionaire financier, was yesterday alleged to have arranged for a false £3m invoice to be sent to Guinness to enable him to collect a "concealed pay-off" for his part in an alleged unlawful share support operation.

The jury in the Guinness trial at Southwark Crown Court also heard that Mr Ephraim Margulies, chairman of the S&W Berisford group, was among those who bought Guinness shares to keep their price up during the 1986 takeover battle for Distillers.

Mr John Chadwick, QC, prosecuting, said that companies controlled by Mr Margulies had been paid a total of £3.5m for supporting Guinness.

Payment of the money – most of which had later been repaid to Guinness – had been authorised Mr Ernest Saunders, then Guinness's chairman and chief executive, Mr Chadwick alleged.

Mr Saunders and Sir Jack Lyons, together with Mr Gerald Ronson, head of the Heron group, and City stockbroker Mr Anthony Parnes, have pleaded not guilty to criminal charges arising from the share support operation.

Their trial was restarted yesterday after being aborted on Wednesday when a juror had to be excused on health grounds.

A new jury of eight men and four women was sworn in yesterday for the trial, which is expected to last until the end of July.

Mr Chadwick said that Mr Margulies had been brought into the share support operation by Mr Parnes, who had later claimed that Mr Margulies was trying to "frame" him and make it appear that Mr Parnes had been personally responsible for payments made to one of Mr Margulies' companies.

Mr Chadwick also alleged that, after enlisting the support of an Austrian bank, Zentralsparkasse und Kommerzial, in the Guinness share support, Sir Jack Lyons had proposed a "cover-up" to try to make payments made to ZKB on false invoices appear legitimate.

ZKB had declined to be involved in the cover-up and had subsequently repaid, with interest, the money it had received, Mr Chadwick said.

He alleged that Sir Jack Lyons had arranged to be paid in 12 monthly payments of £25,000 the £300,000 he had personally lost when he sold Guinness shares he had bought to aid the support operation.

Mr Parnes and Sir Jack Lyons each received a reward of about £3m, negotiated by Sir Jack with Mr Saunders, Mr Chadwick said.

He claimed that, at Mr Parnes' request, Mr Ari Margulies – Mr Ephraim Margulies' son – gave Mr Parnes an invoice for "corporate finance success fee as agreed" on the paper of a company called Consultations et Investissements.

"Mr Parnes did not know anything about C&I," said Mr Chadwick. "He did not know whether or not it existed at all. That did not matter to him." The trial resumes on Monday.

The Guinness Trial, Page 4

Ernest Saunders: alleged authorisation

Fall in imports cuts US trade gap to $7.2bn but output drops

By Anthony Harris in Washington

A SHARP fall in imports produced a dramatically improved US merchandise trade balance in December. The deficit fell to $7.2bn, (£4.2bn) compared with $10.3bn in November, leaving the gap at its lowest for five years both for the month and the whole year.

The figure was described as "quite encouraging" by Mr Michael Darby, the under-secretary for economic affairs at the US Commerce Department.

However, it mainly reflected a slowdown in US industrial activity, and the announcement of a further 1.2 per cent fall in output in January dampened the reception of the trade figures in the financial markets.

Nearly half the fall in imports was in capital equipment, which dropped by $1.1bn, reflecting lower US investment spending.

Imports of industrial supplies fell by about $600m, and *there were small falls in most* other categories. Exports rose by 2.4 per cent, more than reversing the 2.1 per cent fall in the previous month.

Both figures were strongly affected by the strike at Boeing's aircraft plants, which ended at the beginning of *December, and allowed a* recovery of about $500m in shipments.

Growth in aircraft exports is expected to continue strongly in response to record orders. In percentage terms, however, much the strongest performance is coming from US exports of consumer goods. While these still account for only a tenth of total exports, they have been rising strongly through the year, to pass $3bn for the first time in December – 65 per cent above their monthly average in 1988.

Industrial output in January was depressed by two widely publicised special factors – heavy lay-offs in the motor industry, and a sharp fall in *the output of public utilities in* response to the warmest January weather yet recorded.

However, the 1.2 per cent fall was about twice as big as market forecasters had estimated.

Car assembly was down by nearly 34 per cent from December, and the consumer truck *market, which has shown* stronger and more consistent growth, was also sufficiently over-stocked to call for a production cut of nearly 30 per cent.

These figures partly reflect the continued loss of market share to the US plants of Japanese manufacturers, which still cannot meet demand.

The most successful of these, Honda, actually produced more cars in the US in January than did General Motors, the market leader.

Car output can be expected to recover shortly, since January sales were unexpectedly strong, in response to heavy price-cutting.

Thrift rescue agency seeks more finance, Page 2

UK accused of sell-out on Hong Kong democracy

By Philip Stephens in London and John Elliot in Peking

THE BRITISH Government yesterday faced charges that it had caved in to China over the introduction of democracy in Hong Kong.

In Hong Kong, several thousand university students protested at what they branded a sell-out by Britain of the interests of the people of Hong Kong. They later marched to the Xinhua news agency, China's de facto embassy in Hong Kong, where a copy of the Basic Law – covering Hong Kong after its handover to Chinese sovereignty in 1997 – was burned.

Mr Douglas Hurd, *Foreign* Secretary, said in the House of Commons that the final draft of the Basic Law for Hong Kong envisages that 18 of the 60 seats in its Legislative Council will be filled by direct elections in 1991.

That figure will rise to 20 by the time of the handover in 1997 and 24 in 1999, increasing to 30 in 2003.

Mr Hurd acknowledged that the agreement worked out in Peking was "not ideal."

However, speaking amid a barrage of criticism from the opposition, Mr Hurd said that the deal was the best Britain could achieve in a series of "very blunt" negotiations with China. He *insisted that Britain would continue to press for a* faster pace of democratisation.

Mr Hurd said that the Government had faced a difficult balancing act. It had been anxious to secure as much democracy as possible, but believed that "constant collisions" with Peking would undermine confidence in the colony.

Some Hong Kong businessmen agree. Mr Li Ka-shing, a leading Hong Kong tycoon, said the pace of democracy was "quite acceptable."

The Foreign Secretary won a sympathetic response in the Commons from Conservative backbench MPs, but in private many senior figures in the party expressed deep disappointment with the outcome.

For the Labour Party, Mr Gerald Kaufman said the agreement marked a "shabby end" to the last major chapter in the history of Britain's empire.

Share prices rose sharply on the local stock market as investors looked forward to what they hoped would be the end of a period of political uncertainty caused by the Basic Law drafting process. The Hang Seng index rose 45 points in the first 10 minutes of *trading, before* falling back slightly to close 29.21 up at 2,939.25.

Mr Lu Ping, a deputy director-general of the Basic Law Drafting Committee last night cast doubt on the practicality of the idea that the law could be amended before 1997 to raise the number of directly-elected seats in the colony's 1995-1999 legislature beyond the planned 20. "I don't know how it can be done. Its already written into the Basic Law."

The law will go to a standing committee of the National Peoples Congress next week, before being promulgated at a full Congress meeting expected to start around March 20.

Mandarin repairs the road to China, Page 3

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Allianz	2675	+	55
Hochtief	1194	+	39
Hoechst	319	+	19
Mannesman	[illegible]	+	12
Siemens	771	+	11
Falls			
Dragerwerk	325	–	4
NEW YORK ($)			
Rises			
Castle & Cooke	34⅝	+	3⅛
Gen. Electric	63	+	½
Global Marine	6	+	½
IBM	104¼	+	1¼
Orion Pictures	22⅝	+	1
Falls			
Hew. Packard	45⅛	–	1⅞
PARIS (FFrs)			
Rises			
CGE	560	+	10
Eurafrance	2415	+	115
Locafrance	549	+	30
Perrier	1633	+	31
Falls			
Bancaire	502	–	40
Eurotunnel	53.5	–	3.2
TOKYO (Yen)			
Rises			
Daito Gyorui	1770	+	180
Japan Airport	4250	+	430
Nihon Seikan	1650	+	160
Tokyo Cosmos	1650	+	150
Totetsu Kogyo	1490	+	120
Falls			
Tokai Kisen	1430	–	130

New York prices as at 12.30pm.

LONDON (Pence)			
Rises			
Barclays	552	+	6
Body Shop Intl	582	+	16
Burton Grp.	191	+	8
Christies Int	329	+	5
Fairline Boats	715	+	22
Fisons	336	+	6
Gestetner	226	+	16
Glaxo	743	+	11
LASMO	626	+	17
Marks & Spencer	211	+	3
Priest Marians	278	+	13
Siebe	435	+	9
Simon Eng'g	355	+	2
Thames Water	169½	+	4
Unilever	655	+	7
Utd Biscuits	344	+	7
Water Pack. Uts	1745	+	22
Falls			
BAA	382	–	4
Eurotunnel	553	–	20
FKI	58	–	2
Smiths Inds.	228	–	3

WORLDWIDE WEATHER

Today: Mainly dry, with rain in northern Scotland, and the south of Wales and England. Outlook: Showers and strong winds throughout. Some snow in the north.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio †	F	17	63	Dallas †	S	2	36	Madeira	C	17	63	Prague	F	2	36
Algiers	S	23	73	Dublin	S	7	45	Madrid	C	8	46	Reykjavik	S	0	32
Amsterdam	S	7	45	Dubrovnik	S	14	57	Majorca	S	20	68	Rhodes	C	17	63
Athens	F	18	64	Edinburgh	S	5	41	Malaga	S	18	64	Rio de Janeiro		–	–
Bahrain	S	18	65	Faro	S	16	61	Malta	S	16	61	Rome	S	17	63
Barcelona	S	19	66	Florence	S	15	59	Manchester	S	6	43	Salzburg	F	6	43
Belfast	S	4	39	Frankfurt	F	6	43	Melbourne	S	27	81	S'Francisco †	R	9	48
Belgrade	F	8	46	Geneva	R	6	43	Mexico City		–	–	Santiago		–	–
Berlin	Sl	2	36	Gibraltar	S	17	63	Miami †	F	23	73	Seoul	F	9	48
Biarritz	C	13	55	Glasgow	S	6	43	Milan	S	13	55	Singapore	F	32	90
Birmingham	F	5	41	Guernsey	C	6	43	Montreal †	Sn	-7	19	Stockholm	Sn	-1	30
Blackpool	S	7	45	Helsinki	C	-1	30	Moscow	Sn	-5	23	Strasbourg	C	6	43
Bombay	S	28	82	Hong Kong	C	20	68	Munich	F	3	37	Sydney	F	24	75
Bordeaux	Dr	13	55	Innsbruck	C	3	37	Nairobi	F	27	81	Tangier	C	16	61
Boulogne	F	7	45	Inverness	S	5	41	Naples	S	18	64	Tel Aviv	S	21	70
Bristol	S	7	45	Isle of Man	S	7	45	Nassau		–	–	Tenerife	C	19	66
Brussels	S	7	45	Istanbul	R	7	45	Newcastle	S	5	41	Tokyo	R	6	43
Buenos Aires		–	–	Jersey	C	6	43	New Delhi	S	18	64	Toronto †	Dr	-5	23
Budapest	C	6	43	Johannesburg	F	20	68	New York †	R	2	36	Tunis	S	20	68
Cairo	S	24	75	Las Palmas	F	19	66	Nice	S	22	72	Valencia	S	22	72
Cape Town	C	23	73	Leeds	S	6	43	Nicosia	C	18	64	Venice	S	11	52
Cardiff	F	8	46	Lisbon	F	15	59	Oporto	F	14	57	Vienna	S	6	43
Chicago †	Dr	0	32	Locarno	C	10	50	Oslo	C	-3	27	Warsaw	C	0	32
Cologne	F	5	41	London	S	9	48	Paris	C	4	39	Washington †	R	17	63
Copenhagen	C	1	34	Los Angeles †	S	5	41	Peking	Fg	2	36	Wellington	F	19	66
Corfu	S	18	64	Luxembourg	C	2	36	Perth	F	20	68	Zurich	Sn	1	34

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Eurotunnel

Continued from Page 1

current lawsuit did not serve any identifiable purpose as the contractors knew that without their signature on the amended construction agreement the banks would not allow Eurotunnel to draw any fresh funds.

He said he fully supported *Mr Morton's strong stance* against the contractors over mounting costs, but admitted that Mr Morton's abrasive manner had upset the construction companies.

"I am as stubborn and as intransigent, if not more so, over matters of principle like the issue of costs, but we have different ways of dealing with it.

"One of my basic principles is never to make the other guy lose face even if I totally dis*agree with him," said Mr Ben*ard.

Mr Morton's public criticisms over delays and mounting costs have angered the contractors.

Mr Benard said: "I have the highest regard for Mr Morton. He played a great role in putting together the finance for the project and has ensured the interests of the banks and the shareholders have been defended.

"We have worked together *for three years and we have* agreed on all the fundamentals. As far as I am concerned he has always been totally loyal to the principles we established at the start of our relationship."

Mr Benard said Eurotunnel had sought to address the contractors' concerns over the management of the construction contract by strengthening Eurotunnel's project team under Mr Tony Ridley. Mr Ridley has forged a good working relationship with the contractors since he joined Eurotunnel a year ago. He will now be supported by two new senior managers.

Mr Benard said that while the changes were designed to assist the project he could not guarantee that there would not be further public disputes.

"Maybe the contractors find us too sensitive, but when you have nothing in your pocket except what the banks put there it is easy to become hypersensitive.

"We have got used with living with the fact that, particularly in Britain, every incident seems to become a major one. *But we owe our shareholders a* clear and detailed account of what is going on and what is happening to their money."

Eurotunnel had one of the largest numbers of shareholders of any company quoted on the Paris stock exchange, he said.

If the project failed, the contractors would have other developments to turn to. For employers and investors in Eurotunnel, this was a one-project company with no alternative businesses to fall back on if it failed.

"I am always surprised that the contractors want to treat us like Shell or Exxon or some other diversified corporation which has lots of other businesses *to turn to and* very deep pockets," he said.

"Crises are a matter of life and death to us."

Drexel

Continued from Page 1

option.

The administration order does not affect DBL Trading, a company active in the foreign exchange markets which is continuing to trade under the direct supervision of of the Bank of England. The position of DBL Finance, a company described by Drexel as active in securities, finance and investment, is under review.

The companies affected by *the administration order are* DBL Holdings; DBL, a member of the Association of Futures Brokers and Dealers as well as the London Metal Exchange and the London International Financial Futures Exchange; and DBL Securities, a member of The Securities Association (TSA) and the Stock Exchange.

"TSA said yesterday DBL Securities had been under instructions not to conduct any business since Wednesday, except to wind down positions.

THE LEX COLUMN

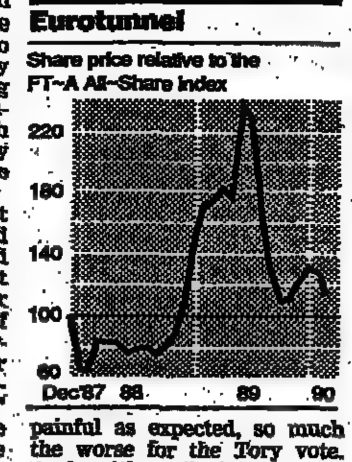
A game of chicken in the tunnel

Eurotunnel's quarterly crises are becoming as regular as fatal accidents in Dallas, with Mr Alastair Morton in the role of *JR. If real life were true to* soap opera, no doubt his body would soon be found forming part of the tunnel's foundations. But enthralling though this public game of poker may be, it is time for someone to call both parties' bluff.

The banks hold the strongest hand. They are refusing to lend money until Eurotunnel and TML agree on a management structure. It makes sense for them to impose agreement if all else fails. For all the posturing, the *sides are not that far* apart. Eurotunnel did introduce a "buffer manager" between Mr Morton and the contractors, *only to* spoil the effect by appointing Mr Morton as chief executive. Some modification of his title, and a hint that his role will be largely concerned with finance, ought to do the trick. Despite his reputation for bluster, Mr Morton has given ground before.

The project may be setting new records for brinkmanship, but no-one seriously expects it to be abandoned. The banks and the shareholders have each committed over £1 billion already. TML would face substantial costs if it walked away, and the current construction market is hardly the ideal place to find replacement work. Nor would sacking the contractors or replacing Eurotunnel with a new parent company do anything but add costs and time to the project. As it is, the first dividend payment gets closer and closer to the next millenium.

FT index rose 7.1 to 1,836.6



Markets

Against the odds, the 2,200 floor for the FT-SE 100 has *taken the strain in a tough* week. Wednesday's rise in the mortgage rate was expected in principle, but not necessarily in scale. If followed across the board, the rise would mean a further 0.4 per cent on the inflation rate: but the market still managed a 5 point rise on the day and 13 points on the week. From a technical viewpoint, this might suggest that on a short-term view equities are a touch oversold.

On a longer view, there is still room for unease in political terms. Granted, the routine statistics for the week turned out broadly as expected; inflation unchanged, the fall in unemployment slowing and the budget surplus still head*ing for about half the official* forecast of £12.5bn. But if the mortgage rate rise turns out as painful as expected, so much the worse for the Tory vote. And with inflation in the fourth quarter now likely to be as high as 6¾ per cent, rattling the figure down for an election may be less easy than the market assumes. And while the market's attention is presently distracted by momentous events overseas, next week's string of big company results may be a reminder of issues nearer home.

MAM

It is hard to work out the precise rationale of Mercury Asset Management's share buy-back scheme. It neatly allows MAM's parent, S.G. Warburg, to maintain its stake at 75 per cent, avoiding the dilution if MAM executives exercise options on up to 1.94m shares. This is understandable, given that Warburg needs 75 per cent to give it the use of MAM's profits when claiming tax allowances in its leasing business. But it is difficult to see why MAM must go through the palaver of a tender offer *and egm to achieve what* Warburg could have accomplished by spending £10m in the market.

Not that a *share repurchase* is necessarily bad for MAM, whose shareholders' funds have swollen from £62m in 1988 to at least £110m now. Given the relative maturity of its UK pension fund management, MAM could have been expected to use its money to buy abroad or finance its new Mercury Life unit, but would not need all that money to do so. So the share buy-back, with MAM's planned 50 per cent dividend increase, is a welcome hint to corporate UK that it should give more cash flow straight back to shareholders.

The net effect of the proposal is to suggest how undervalued MAM's shares are at last night's close of 665p, or 12 times 1990 earnings. MAM has raised its pre-tax profits tenfold since 1985, but equally important is the near-doubling in profits as a percentage of funds managed. This does not say much for the street-savvy of pension trustees, but it says a lot about MAM's quality of earnings and management.

HK Telecom

It is interesting to speculate whether the China International Trust and Investment Corporation would have been able to secure such favourable financing terms for its purchase of 20 per cent of Hong Kong Telecom if Barclays Bank had not challenged the Hongkong Bank's domination of its *home turf.* China is not the world's best credit risk. But such worries have a habit of being subsumed when one big bank rubs up against another. Citic is putting up virtually none of its own money and purchasing its stake at a 15 per cent discount to the current price.

The deal is equally good news for Cable and Wireless, HK Telecom's parent. The £700m it will get more than offsets its own net debt; and the size of the Chinese participation should calm any wor*ries about its political risk* exposure in the run-up to 1997. Given this, it is more than a little surprising that the C and W share price has underperformed both the Hong Kong stock market and the shares of British Telecom and Racal Telecom since last December's initial announcement.

Norfolk Capital

Queens Moat Houses' final all-paper bid for Norfolk Capital is decidedly cheap, but Norfolk Capital cannot put up much of a defence. A 4 per cent rise in 1989 pre-tax profits is disappointing; its net asset value of 53p is unsurprising; and plans to raise £75m from asset sales smack of desperation rather than innovation. The report of the two disgruntled ex-directors does not inspire much confidence; and while Norfolk's efforts to cut its interest bill are welcome, one wonders why it *has taken* so long to recognise the company's basic problem. Queens Moat needs to keep on buying hotels to maintain its impressive growth rate, but its management has shown an admirable regard *for its own* shareholders' best interests to date.

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Weekend FT

SECTION II Weekend February 17/February 18, 1990

Money for your life

***Anthony Curtis** investigates the extraordinary rise of the literary biography industry on both sides of the Atlantic*

WRITERS' LIVES are often extremely dreary. Yet for reasons which no-one in the publishing industry quite understands, the appetite for books about eminent authors seems to have become insatiable. One explanation might be the high standards of modern British biographers. But that hardly tells the whole story. What more is it that gives these books their current vogue?

The literary world is an exclusive one that excites curiosity. What *really* goes on in it? Through reading a literary biography we can gatecrash this world, and once inside we see what a greasy-pole is literary success. We can identify with the hero or heroine through early rejection, parsimonious acceptance, ultimate fame and fortune. If the author happens to be a novelist whose work we know, we can satisfy ourselves as to the mixture in his or her fiction between invention and straight autobiography and the grey area in between. We can live the life of a creative artist who takes the whole of life as his material.

The novelist and biographer Peter Ackroyd has said: "The biographer's job is to give real events the *authenticity* of fiction." Brenda Maddox, biographer of Mrs James Joyce, now at work on a new life of D H Lawrence, views biography as an investigative assignment akin to journalism. She does not believe that there can be too many biographies of an author. "Each biographer has a different viewpoint, like a painter approaching a landscape." Victoria Glendinning, who has published biographies of Edith Sitwell, Vita Sackville-West, and Rebecca West, notable for their candour in dealing with the private life, puts it like this: "We have to make sense of life on earth. Human beings just do not have enough information about the conditions of their existence."

The art or craft of biography requires in the writer not only the stamina to pursue years of research, but also narrative gifts in ordering the material when it has been assembled, historical awareness, and psychological penetration. In that new biographical dawn which broke in Britain at the end of the 1950s these qualities were apparent in George Painter's Proust, recently reissued, and in Michael Holroyd's *Lytton Strachey*, which revolutionised the concept of literary biography. Although these books contained a wealth of original material and conformed to the highest criteria of scholarship they were not written either by or for academics but for a wider literary market.

The British literary biographer, unlike his American counterpart, is usually a freelance who does not have a permanent university appointment or any funding from a big foundation such as Guggenheim or Ford. He has to provide his own funding by eking out the publisher's advance, by book reviewing and living providently. Such was the career of Richard Holmes, who won the Whitbread Book of the Year Award with his biography of Coleridge, *Early Visions*. Holmes is a loner, who generated all the the funding of this book and his earlier biography of Shelley himself; above all, he had a supportive literary agent in Peter Janson-Smith. After 20 years hard labour Homes may now expect lucrative advances for his future projects.

Winning the Whitbread has not altered his plans, however. He always intended to pause after publishing the first volume of Coleridge, and as he put it "get a fresh bearing on the subject." He will now write one short biographical book on an 18th century figure before resuming volume two. He sees the present boom in literary biography as an attempt by ordinary readers to understand the present in terms of the past through the life of an outstanding person. But has his own success changed Holmes's outlook? "It is gratifying, of course, a bit like a buoy thrown out to a man overboard, but when I go back to work it is the same typewriter, the same table, the same view from the window, and when I go on my travels I become the same anonymous individual."

In the past few years, thanks to the much-publicised huge advance paid to Holroyd for *Shaw*, there is now big money on offer for anyone with a proven capacity to deliver the goods. The goods consist of a subject likely to have an appeal on both sides of the Atlantic. The initial choice of such a subject is a hazardous procedure at which even the most experienced operator can slip up. Who would have thought, for example, that Americans would be crazy about a mild rural village novelist like Barbara Pym? But one may safely predict that when her sister's biography of Pym is published it will have a fine sale in the US.

How do biographies of writers come to be written? Sometimes the estate will commission an "official" biography, as in the case of Andrew Motion's forthcoming life of Philip Larkin or the new biography of Orwell in preparation by Michael Shelden. Sometimes the subject in his advancing years will commission his own biography, as in the case of Norman Sherry's life of Graham Greene.

Sometimes the estate will neither encourage nor prohibit a biographer, as in the case of Ann Thwaite's life of A.A. Milne to be published later this year. Sometimes the estate will give permission for a relation of the subject to use family papers but not deem him the sole biographer, as in the case of Richard Graves's biography of his uncle Robert, the second volume of which, *The Years With Laura*, appears later this year.

Sometimes the estate will actively discourage a would-be biographer and try to make any biography an impossibility, as have the estates of the novelists Elizabeth Taylor and Henry Green.

It is difficult, however, for an estate to hold out for ever against the onslaughts of a truly determined biographer, as was shown in Peter Ackroyd's T S Eliot, written in defiance of the estate without a single direct quotation from any of Eliot's letters and almost none from the verse. Some authors or their descendants leave their estates to be administered by the Society of Authors, as did Shaw, on which the burden of dealing with enquiries from potential biographers falls. The Society is looking afresh at the terms on which it will accept the administration of a literary estate in the future.

Brenda Maddox is on the sub-committee that is trying to formulate the guide-lines. She says that it is difficult to come up with general principles that will apply in all cases, but she wants the Society to make a commitment to openness. She points out that in the pre-Wolfenden era of 1951, in *The Life of John Maynard Keynes*, the "official" biography, Roy Harrod was not permitted to make any mention of Keynes's homosexuality, an omission that would be inconceivable today.

Ronald Hayman is an experienced biographer with an eye for a big subject. His first biography was of John Gielgud with the active cooperation of the subject in 1971. Hayman speaks French and German and since then has published biographies of the Marquis de Sade, Nietzsche, Kafka, Brecht, Sartre, and is just about to turn in a new life of Proust. Each has taken him between three and four years. He has had some subsidy from the Arts Council and the Phoenix Trust but the American advance is crucial to the funding of the whole operation, and he usually sells German rights too.

What, after Painter, is there new to say about Proust? A very great deal according to Hayman. He thinks that Painter was unduly concerned with the *roman à clef* element, striving to identify originals in life of Charlus, Swann and so on. Since the death of Proust's niece, Suzy Mante-Proust, there has been a new openness on the part of the estate. Proust's letters to his publisher Gaston Gallimard, of considerable biographical interest, were published last year. So was the concluding section of the great novel, *Albertine Disparue*, in the form which Proust wanted it, which had for long been suppressed.

There is an important random factor known as "biographer's luck" which comes into play. Suddenly, after months of hard slog, a windfall drops into the biographer's lap in the form either of documentation or living testimony. While researching her life of novelist Ivy Compton-Burnett, Hilary Spurling spoke to Philip Noel-Baker, a King's contemporary of Ivy's brother at Cambridge, and he described Ivy's extraordinary beauty as a young woman. "It knocked the college sideways," he exclaimed, opening an unexpected vista for the biographer.

Spurling has had some lucky strikes too in her current project now nearing completion, a life of Paul Scott. She has been to India, where she has been able to talk to people who knew Scott well. Scott was a literary agent but he had to give it up if he was ever going to be able to write his own novels. He had worked with the Indian Supply Corps during the Second World War and when it was over returned to India several times. He made a long, shattering journey across the sub-continent in 1964, after which he wrote the first volume of The Raj Quartet, *The Jewel in the Crown*. Twenty-four years later Spurling re-traced his steps and found that the trail was still warm.

Spurling gave up her full time job as literary editor of *The Spectator* in 1970 to work on Ivy. Her advance for volume one from Gollancz was £500. After the book, *Ivy When Young*, was published to rave reviews the advance for the second volume was £1,000. In the event it was not published until 10 years later, and then by another publisher, Hodder.

The sums paid today to a biographer with a high reputation make these advances seem paltry. Victoria Glendinning recently signed an agreement with Century Hutchinson for more than £100,000 for a new life of Trollope. The suggestion she should write such a biography came from Century Hutchinson's Richard Cohen, who was keen to woo Glendinning away from Weidenfeld, publisher of her female biographies. He succeeded, but at a price. Glendinning is happy to be at work on Trollope but worried that the biography bubble may be about to burst.

Such a handsome advance now puts Glendinning near the top of the literary biography earnings league, just below Michael Holroyd and Peter Ackroyd, who have both received advances around £600,000; Holroyd from Chatto & Windus for his three-volume life of Shaw, and Ackroyd from the new house of Sinclair-Stevenson for biographies of Dickens and William Blake.

But can such astronomical sums ever be recovered by the publisher through sales of the eventual book? This is a question that is often asked at publishing lunches these days. The consensus seems to be that they cannot – "not in a hundred years, old boy." To put these sums in proportion: they represent 10 to 15 years work on the part of the author, on top of

Continued on Page IX

The Long View

After the junk, the invisible crash


BARRY RILEY

No tears were shed for Drexel Burnham Lambert this week but the real impact of its collapse on the stock market could be yet to come

SO FAREWELL, then, Drexel Burnham Lambert. This week, the junk bond-based empire seemed to disappear almost without trace, like some Soviet puppet regime in eastern Europe. The capital markets scarcely reacted to the retreat of Drexel's remnants behind the protection of America's Chapter 11 Bankruptcy Code, surely never to re-emerge.

I wonder, though, if we have been deceived by an illusion of tranquillity. The share prices in your newspaper or on your screen have hardly moved this week, but has there been an invisible crash? Certainly, the past few months have been dismal for the parallel market in corporate deals which became so extraordinarily strong up to the middle of last year.

I have referred several times to the divergence between the inter-investor equity market and the corporate market. The former is the normal secondary stock market which sets values on companies according to their investment merits. The latter is the informal and unstructured arena in which whole companies are bought and sold, sometimes from and to the investor market through take-over bids and new flotations.

There are no daily quotes and no indices in the corporate market; we have to guess at its strength from the evidence of published deals. We know it became remarkably strong in the year or two after the crash of the investor market in October 1987. In America, it probably peaked around the time of the RJR Nabisco leveraged buy-out at the end of 1988, and got into trouble by October 1989 when the United Airlines buy-out failed spectacularly. In Britain, the high point came later: the bid for BAT Industries was not launched until July.

On both sides of the Atlantic, though, the bid and buy-out scene has gone very quiet. The corporate financiers will have to be content with banking their huge fees of the past few years and, meanwhile, turning to the task of repairing the damage that has been done to corporate structures. They need not be idle.

For the conventional stock market, there are enormous cash-flow implications. In the UK, companies lavished money on the stock market last year; in the first nine months, they spent on acquisitions at an annual rate of £20bn. In 1985, by comparison, they laid out less than £3bn on acquisitions in cash.

Where did the money come from? Well, industrial and commercial companies borrowed £28.5bn from banks in January-September 1989 and raised another £11.6bn from debt issues, largely in the Euro-markets. They raised just £1.4bn net through equity issues, a low figure which in part reflects the increased buying-in by companies of their own shares.

This behaviour by British companies was a pale reflection of the even more dramatic trend across the Atlantic. It is reckoned that something like 8 per cent of all US common stocks have been removed from the market, mostly through take-overs, within the past five years – equivalent to a value of more than $1,000bn. Buy-backs, meanwhile, have been running at $40bn-50bn a year, well ahead of new issues.

The key to this amazing period for the American stock market lay not in bank borrowing - although the banks played their part eagerly – but, of course, in junk bonds. In a few years, these grew from practically nothing to a peak of some $200bn in terms of outstanding nominal value. Right now, you can call that $150bn at market value, although there might not be any market.

The myth of junk bonds has now been destroyed. The argument was that the return over-compensated for risks that were exaggerated in the minds of most investors. Now, though, the sound companies which have issued such bonds will be tempted to buy them back cheaply, whereas the dubious issuers which cannot re-finance the debt will let it run on. So, the average quality of the outstanding junk bonds will decline sharply.

The junk bond debacle, and the reining-back of credit by banks which are starting to appreciate the true risks involved in their LBO lending, have cut off the major sources of finance for the corporate stock market. Prices must have fallen back much more closely in line with those of the investor market. Cautious corporate dinosaurs with cash like Siemens and GEC, which were priced out of the take-over market during the booming 1980s, now find they can start to do deals.

How did the phenomenon of the over-priced corporate market ever occur? Essentially, aggressive companies were able to gain access to large amounts of capital from new kinds of investors who did not allow properly for risk. The late 1980s provided the perfect framework for financial excesses because there had been an unusually long time since a recession – bearing in mind that recessions serve the essential periodic function of straightening-out twisted capital markets.

Generally speaking, equity investors (who have increasingly been professional rather than amateur) continued to insist on high returns. Any over-enthusiasm was knocked out of them by the 1987 crash. But junk bond investors carried on regardless; they could point to juicy historical returns over most of the 1980s. And the regulatory peculiarities of the US markets meant that many investment institutions saw the opportunity to make equity-type returns even though they were confined within the supposed security of the bond market.

As for the banks, an imperviousness to proper risk analysis seems to be built into the lending institutions that have given us various property and Third World debt crises.

Now, the game has changed. After the invisible crash, we are going to see some very visible re-structuring. I shall be surprised if the investor market stands up to the strains quite as comfortably as the post-Drexel complacency seems to suggest.

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MARKETS

FINANCE & THE FAMILY: THIS WEEK

Company reports: where to begin

A company's preliminary results can yield valuable information — if you can read between the lines, says Andrew Hill. Page III

Act before Mr Major

One of the most effective tax avoidance ploys is the offshore trust. But Caroline Garnham warns that the Chancellor may put an end to this in the Budget on March 20. Plus: a sizeable chunk of the UK market in convertible shares is likely to disappear shortly if Hanson gains approval to convert its 10 per cent 2,007/12 stock. Terry Dodsworth reports. Page V

Are you sure you're covered?

The stormy weather that has battered Britain this winter has *taken quite a toll on homes and homeowners alike.* Eric Short advises you to check your insurance policy to make sure you have adequate cover. Plus John Edwards considers the state of the mortgage market given the latest rise in rates. Page VI

Taxing problems for the elite

Foreign businessmen based in Britain have long formed an "elite" class of taxpayer. But as Donald Elkin warns, special *cases call for special planning.* Page VII

Minding Your Own Business

There's not much profit in Vivaldi, but . . . Roy Hodson meets a couple who are happy running a most unusual business: a small orchestra. Plus the story of two young entrepreneurs in their flying machine. Page VIII

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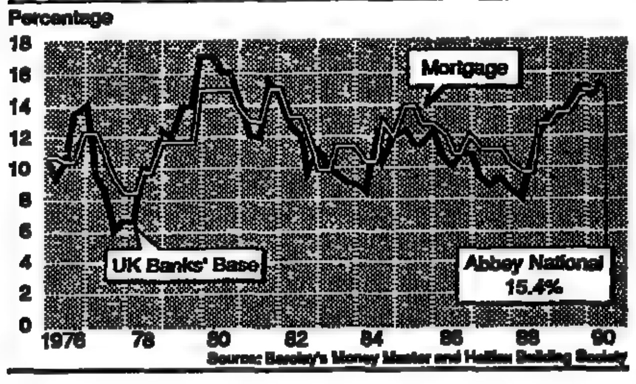
UK Banks' Base and Mortgage rates



Source: Barclay's Money Master and Halifax Building Society

Abbey lifts mortgage rate to all-time high

Abbey National's decision to raise its basic mortgage rate to an all-time high of 15.4 per cent from 14.5 per cent has sparked off fears of another round of interest rate increases for home-owners in the UK.

The other banks and building societies have hinted that *they may be forced to raise their rates soon*, which could mean that the interest rates for borrowers will climb to their highest level since 1981, putting the squeeze on many more households.

The high interest rates have already taken their toll: the *Council of Mortgage Lenders announced* this week that arrears in mortgage payments and repossessions increased in the second half of 1989. More than 58,000 borrowers, out of a total of 7.95m building society mortgages, were more than six months in arrears at the end of 1989.

■ The Nationwide Anglia Building Society is raising its mortgage rate by 0.9 per cent to 15.4 per cent with effect from March 1, it was announced late yesterday. It also announced help for new borrowers by offering loan discounts of 0.65 per cent for the first three years of a £60,000 loan — more than double the previous discount. The mortgage treadmill: Page VI. *Sara Webb*

Stock Group continues growth

Stock Group, the stockbroking arm of British & Commonwealth Holdings, has acquired Chase Manhattan's London-based private client stock-broking business. The deal, for an undisclosed sum, means Stock has nearly £4bn in funds under management once Chase's £300m is included, and 2,000 more clients in the UK and abroad. Stock is eager to chase "high net worth individuals" with an average of £150,000 to invest, and has ambitions to become the number one private client stock-broker in the UK. It has built up its private client business through the acquisition of regional brokers Stock Beech and Campbell Neill, Hoare Govett's private client operations, and two members of Lazards' private client team.

Chase formed Chase Manhattan Securities in 1986 by merging Simon & Coates with Laurie Milbank at a time when banks and brokers were pairing-up in haste. It decided to sell off its private client business this week, however, saying that this no longer complemented its private banking strategy and that it provided an unsatisfactory return on capital. *S W*

Course for investors

Amateur investors may be interested in a weekend course being run by *the* Stock Exchange Investors' Club and *National Investment Group on March 16-18. The programme* includes lectures on how to interpret reports and accounts, *how to structure your portfolio, share evaluation,* personal equity plans, traded options and convertibles.

Those taking part will then be tested on a dummy portfolio to see *how* much *money* they can *make* and *how much* of the course they have assimilated.

The action takes place in Clifton Village, West Yorkshire, and includes a visit to Harry Ramsden's famous fish and chip shop, floated recently on the Third Market. Those attending will be charged £150 each (or £250 if accompanied by a partner). Further details are available from Farmer Public Relations, Elsworth House, Alfred Gelder Street, Hull HU1 2AN (tel. 0482-224-285). *S W*

LONDON

Footsie reflects on what might still be

ON THE other side of the looking glass, in a dark forest, Alice encountered the White Queen screaming and shaking her hand. "What *is* the matter," said Alice, as soon as she could make herself heard. "Have you pricked your finger?" "I haven't pricked it *yet*," the Queen said, "but I soon shall."

Alice Through the Looking-Glass, by Lewis Carroll

LIKE the White Queen, shares seemed to remember the future better than the past. After six weeks cringing in anticipation of another rise in mortgage rates, the stock market *breathed a sigh of relief* when Abbey National did the deed on Wednesday. It barely blinked when Nationwide Anglia followed suit yesterday. The *0.9 per cent increase to a* record level was greater than many had expected, but domestic and US institutions bought blue chip stocks anyway and, in doing so, looked as if they were calling the top of the credit squeeze.

The market consequently spent the latter part of the week in perky, if slightly surprised, mood. Dealers were quick to act on the optimistic interpretation of any price movements. Heavy buying of options in the fashion chain Next, for example, sparked thoughts that another retailer, Sears, might bid. Sears has a near 2 per cent stake in Next, although analysts said an attempted takeover was unlikely. The whole retail sector, from Marks and Spencer to *Laura Ashley*, put in firm performances nevertheless.

Mortgage rates were not alone in entering uncharted seas. South West Water became the first of the recently privatised water companies to break through £2 a share. Shareholders who had bought on flotation in December have doubled their investment.

Traders briefly blamed demand on switching out of shares in Perrier, the French mineral water supplier which withdrew its product from sale around the world on Wednesday. They swiftly removed their tongues from their cheeks when confronted with real and supposed stakebuilding. The French company Lyonnaise des Eaux built up holdings in Severn Trent, Anglian and Wessex last year, although others were said to have been buying this week. All eyes will be on the first comprehensive lists of shareholders which are likely to be made available next week.

Entrepreneurs old and new caught analysts unawares. Hanson followed its barely noticed third quarter figures on Wednesday with a $504m payout for 45 per cent of Peabody, the largest US coal producer. The rest of Peabody is owned by Newmont Mining, in which Hanson has a 49 per cent stake. Normally such acquisitions are seen as reaffirming Lord Hanson's risk-taking credentials, but the shares marked time while analysts tried to calculate what Hanson might have in mind.

Amstrad's half year profits were above the highest analysts' forecasts at £30.1m. The shares, at 57p yesterday, continued their slow recovery from the low of 37p on December 1. The charismatic Alan Sugar, Amstrad's chairman, still has to prove to the City that he can run a multinational in troubled times as well as he managed growth in a consumer boom. Last year's interim profit was £75.3m and the shares then stood at 160p.

The entrepreneurs in the dock at Southwark crown court saw their trial on a variety of fraud and theft charges get off to a faltering start. While the jury was being chosen for the second time, one of the accused, Ernest Saunders, will have had plenty of time to follow the fortunes of his erstwhile employer, Guinness. The shares, already the best performer among Footsie stocks last year, rose another 21p to 661p. Several brokers published positive views on the company ahead of figures due next month. BZW changed its advice from hold to buy, saying that improving margins would continue to push earnings per share ahead at 20 per cent a year.

Analysts also threw their weight behind Glaxo. Kleinwort Benson will shortly publish a review of four of the company's drugs under development and argues that they will collectively be as important as Zantac — the world's best seller which is credited with having put Glaxo into the top five of drug companies.

Not all shares reacted with equanimity to the rise in mortgage rates. Housebuilders fell back and the construction sector continued its year-long slide. There was more to the gloom than the plight of home-owners, however. Profits warnings from English China Clays and Crest Nicholson did not help. Lord Chilver, the ECC chairman, said a worsening international economic environment as well as UK interest rates were the problem. Crest said falling house prices were squeezing margins.

The construction sector also produced one of the week's rights issues. Newman Tonks asked for £32m from its shareholders to cut borrowings. The other cash call had been the subject of much talk in the market ahead of its announcement. Gestetner, the office equipment company, is raising almost three-quarters of the £90.6m it intends paying for the non-US operations of Nashua, a photocopier and fax machine supplier.

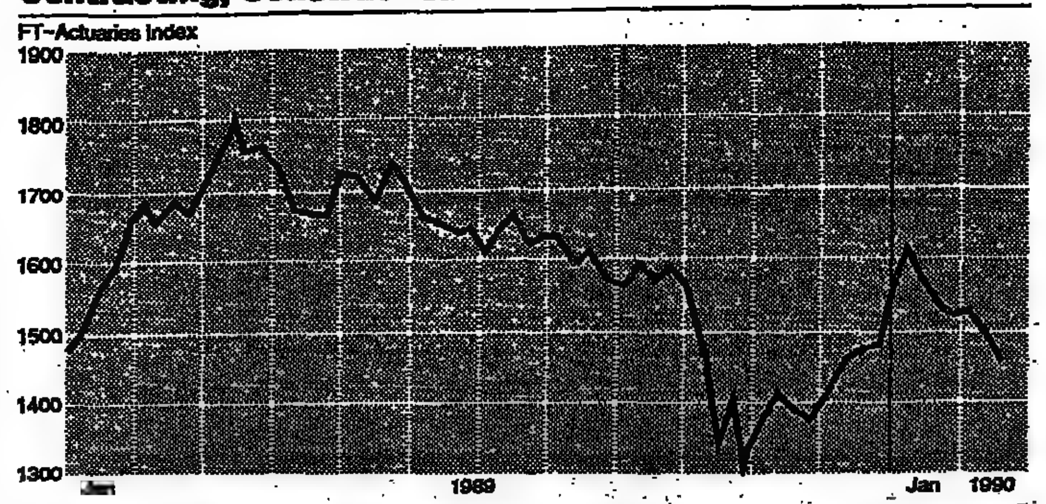
A better kept secret was Godfrey Davies' hostile bid for Sketchley. The offer valued the dry cleaning company at £137m and the Godfrey Davies chief executive promised Sketchley shareholders they can keep their 25 per cent discount on their cleaning bills.

Meanwhile, another takeover bid seemed to enter its final act. Jameel, the Saudi Arabian trading concern, raised its hostile offer for Hartwell, the motor distributor, from £151m to £172m. Jameel took its stake to 29.1 per cent of the ordinary shares and 45.3 per cent of the convertibles. Hartwell ended the week with traders offering 153p a share, 2p less than Jameel's offer.

Iconoclasts of 1980s culture found a symbol in the London stock market with which to round off their week. Anyone unsatisfied with the stumbles of boxer Mike Tyson, US magnate Donald Trump, or Perrier, could descend on a small UK company called Filofax. The maker of personal organisers issued another profit warning, but its shares had their traumas last year and ended the week barely changed. As the White Queen said: "I've done all the screaming already. What would be the use of having it all over again? Now you understand the way things happen here."

Daniel Green

Contracting, Construction



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989/90 High	1989/90 Low	
FT-SE 100 index	2325.9	+12.3	2463.7	1782.8	Global markets steadier
Crest Nicholson	161	-33	231	158	Disappointing prelims/profits warning
English China Clays	365	-58	541	359	Profits warning
Enterprise Oil	646	-29	690	418	Rights issue fears/ICI stake sale hints
Eurotunnel units	553	-72	1172	376	Row over management changes
Fairline Boats	716	-110	890	437	Bid talks ended
Glaxo	743	+42	824	527½	Kleinwort recs. Losec doubts
Guinness	661	+21	669	329	Brokers' upgradings
Hartwell	156	+15	156	78	Increased Jameel offer.
Newman Tonks	178	-12	211	156	£32.3m rights issue/disposals
Parkfield	425	-42	524	282	Director's resignation.
Priest Marians	278	+100	535	153	Growwood takes stake
RMC	616	-38	819	503	Mortgage rate rise hits building sector
Racal Telecom	393	+17	557	184	Government contract/US roadshow
South West Water	202	+17	203	100	Talk of stakebuilding

WALL STREET

Sobering up for the '90s

IT WOULD be hard to imagine a more eventful week for Wall Street and the world economy, or a duller one for US stock market investors.

To judge by the market's performance, investors seemed totally indifferent to the *collapse of Drexel Burnham Lambert*, the firm which almost single-handedly turned Wall Street into the Yukon of the 1980s. With its *invention of the junk bond* — the Philosopher's Stone of the 1980s — Drexel unleashed a paper gold rush on Wall Street with all the lawlessness, machismo and romance of the great prospecting crazes of the 19th century. The symbolism of the firm's demise was underlined for history by its theatrical timing. In retrospect, it seemed almost inevitable that Drexel should have passed into history hand in hand with the Golden Eighties.

But symbolism is out of fashion these days on Wall Street. Investors seem to be made of sterner stuff than the incurable romantics of the 1980s. In strict chronology, it may be just six months since the United Airlines debacle which marked the manic climax of the last decade's leveraged deal *fever*. In passage of historic time, however, a whole era has passed.

In 1989 the markets could be swayed from the extremes of greed to the extremes of fear and back again by a mere rumour of a corporate raid, a whiff of an insider trading *scandal, a hint of a* bankruptcy. Today, investors merely shrug like book-keepers who stumble upon poetry — they timidly *avert their gaze and go back* to their computer printouts of interest rates and corporate profits.

In principle, the boring *sobriety* which has taken over on Wall Street should be good news for long-term investors in US securities. Not only will the humbling of the corporate raiders and leverage quacks give US managers the chance to run their companies again for the first time in more than 10 years. It might also help gradually to stabilise the wildly fluctuating asset prices which have made Wall Street feel like an offshoot of the Las Vegas casino industry.

In this respect, a vitally important piece of news this week was almost overlooked because of the dramatic developments at Drexel. The New York Stock Exchange said *it would* consider removing one of the major technical advantages currently enjoyed by programme traders — their exemption from the "uptick *rule" which normally allows* dealers to sell stock short only after the price has risen in a previous transaction, or "uptick."

If the NYSE were to make good on this plan, it could make large-scale programme trading almost impossible and shift the US stock market's main price-making mechanism back to Wall Street from the Chicago futures pits.

In fact, the relatively slow and steady recovery of stock prices after the sudden plunge they suffered last month may conceivably suggest that Wall Street investors are already starting to regain their supremacy over the speculators in Chicago. Perhaps the US stock market is already becoming a slightly more stable place.

Unfortunately, however, *it is still far too early* to have any confidence in this conclusion. And even if Wall Street is determined to become more sober, events on the *other side of the world seem* destined to shake the new-found stability in the US financial markets. For just when speculation seems *to* be going out of style among US investors, the European and Japanese financial markets are showing a propensity for volatility which would have delighted Drexel and its cohorts in their golden days.

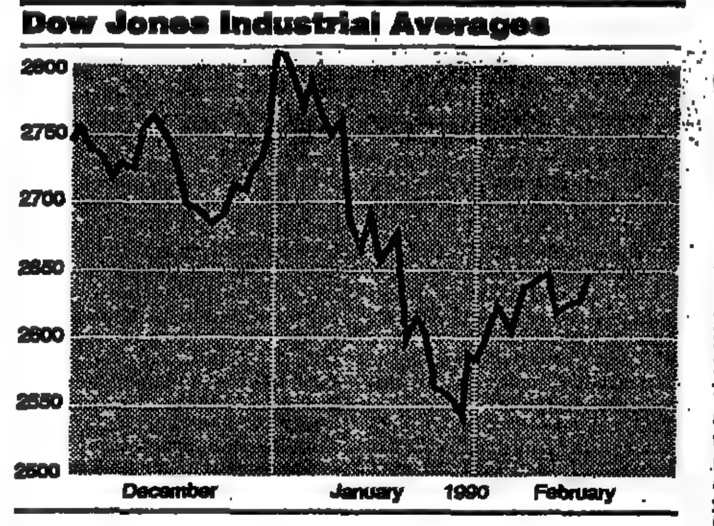
Nowhere has this been more apparent than in the reactions of German bond and equity prices to the events in eastern Europe. *This does not seem the place for a detailed* analysis of the impact of currency reform on the German economy. But it is worth recalling *that* when the Berlin Wall first came down in November, the knee-jerk reaction of the currency traders was to sell Deutschemarks and buy dollars. It took a week of reflection for the markets to realise that reunification would be extremely bullish for the Deutschemark, because it would stem the German capital outflows which had been the main reason for the mark's surprising weakness in the previous two years.

The panic in the German and other European bond markets at present certainly has more complex and *plausible explanations than* the mindless "flight to safety" after the Wall came down. But this time, too, the market seems to be ignoring many of powerfully anti-inflationary features of German currency unification.

The fact that investors in Europe seem to have over-reacted *in such a* one-sided manner to an event which might have been welcomed only a few months ago may well have something *to do with the growing* dominance of futures trading in European bond markets. It is ironic that the German bond market is being wagged by its tail in the London International Futures Exchange, just as some serious steps are finally being taken to curb *the analogous* phenomenon on Wall Street.

Unfortunately for Wall Street investors, therefore, there will be volatile times ahead, even if many of the home-grown US speculative trends gradually die away.

Dow Jones Industrial Averages



Monday	2619.14	− 29.06
Tuesday	2624.10	+ 4.96
Wednesday	2624.32	+ 0.22
Thursday	2649.55	+ 25.23

Anatole Kaletsky

JUNIOR MARKETS

Novalal gets green for go

NEXT WEEK'S launch of Novalal, a tree cloning company, could on the face of it be one of the debuts of the decade.

It is at the forefront of technology, it boasts a board of scientific luminaries and it could make a very real contribution to the critical problem of global warming. Its launch harnesses equity for ecology. What could be better?

For all that, Novalal is meeting with a rather mixed reception. As the first start-up to join the USM for several years, it has inspired some unease among those who remember the abysmal performances of former high technology start-ups. Bio-Isolates, Bio-mechanics, Synterials . . . the list of disappointments goes on and on.

One common feature of the earlier arrivals was that they failed to meet profit projections. With this in mind, the cynics argue that Novalal's valuation of £20m — which is modest enough *if* its meets its illustrated profits of £2.85m for the first full year trading to July 31 1991 — may well prove to be exorbitant.

In response, Richard Wallis, managing director, points out that the group already has orders worth £11.15m over the next two and a half years. Moreover, he believes that his own background in chemical *production will help* the company keep to its budgets.

Be that as it may, Novalal has a challenging time ahead. It is hard enough for any young company to meet the demands of the City without having to grapple with the vicissitudes of setting up a business.

But whatever its relations with the City, Novalal should command considerable interest both for its "green" credentials and as example of commercial exploitation of academic work.

Novalal's principle hopes are pinned to its ability to help restore ravaged tropical rain forests. It says that its cloning techniques produce healthier, more resilient, faster growing and higher yielding plantlets than those grown by seed, and that this makes them particularly suitable for reforestation.

Nonetheless, it expects to benefit from the increased funds available from lumber companies and international aid agencies which are concerned about the effects that the destruction of rain forests have had on the world's climate and ecology.

Its main board includes *Lord* Plumb, the former President of the European Parliament, who has a particular interest in promoting funding by the European Community *of reforestation* programmes.

In addition to rainforest hardwoods, it hopes to use cloning techniques to produce flowers, houseplants, *tropical* fruit and nuts for the food sector and eucalyptus and Douglas fir for the paper industry.

Looking a few years ahead, Novalal also expects to exploit a technique known as continuous fermentation, which harnesses the ability of cells to produce certain chemicals.

It intends to use this process to produce castanospermine, now extracted from a rare Australian tree, which is a possible anti-viral agent that might have a role in the treatment of AIDS.

It is also enthusiastic about the long term possibilities of biotransformation, a method that exploits the catalytic ability of cells to develop new products. It expects to use the process to make flavours and fragrances, including a range of products for Estée Lauder.

The ambitious nature of these projects might deter some potential investors. However, they may take some encouragement from Novalal's august advisory board which comprises 13 eminent academics including two Nobel prize winners (who together will be paid a maximum of £50,000 a year).

Not surprisingly, the company's own board and management is also rich in scientific talent. Several of its projects are linked to employees' former doctorate work.

Perhaps as a result of this the company is strikingly young. Its board includes three scientists under the age of 30 and three of the senior managers are scientists aged 25 or under.

The roots of the company go back to Richard Wallis's earlier career as a manufacturer of speciality chemicals. As part of this, he supported a research project by Dr Karen Davis into biotransformation techniques at the Cranfield Institute of Technology. After speaking at a conference two years, Dr Davis was introduced to Dr Marie-Louise Broby, who with her husband and family were also working on tissue culture technology.

They decided to join forces and try to float a start-up company on the stock market. After a false start, thanks to the demise of the Third Market, Douglas le Mare expects to place 5m shares at 100p each next week.

The founders and promoters of the business, who reckon they have spent £2m developing the technology, keep 75 per cent of the shares — although they will not be allowed to sell for the next two years.

The flotation is a gamble, but Richard Wallis sees it as infinitely preferable to the stranglehold of venture capitalists, who he feels might sell the company over his head to a major drugs company. "We want to run the company our way," he says.

Vanessa Houlder

County NatWest still counting cost of Blue Arrow

INVESTORS WERE treated to the rare sight this week of a bank paying compensation to shareholders who had lost money following a disastrous rights issue 2½ years ago. Between 2,000 and 5,000 shareholders are expected to benefit.

But then, these were highly unusual circumstances. The bank was County NatWest, and the rights issue was the £837m issue of employment group Blue Arrow, close to the peak of the bull market in September 1987.

County's role in disguising the failure of the issue from the market in order to keep up the company's share price has *led to a string of criminal* charges: against County, UBS Phillips & Drew (the brokers to the issue) and 11 City figures.

However, County says its *decision* to pay *compensation* does not mean it is admitting legal liability, or even a moral obligation to investors: to admit the first would lay it open to legal claims, while to admit the second would probably prompt the Inland Revenue to dispute the tax-deductibility of the compensation thereby greatly increasing the cost to the bank of the arrangement.

Nevertheless, the money is on the table now — preferable by far to awaiting the outcome of the criminal trial. Also, it is unlikely that many small shareholders would follow the example set by one keen investor who bought £700 of Blue Arrow shares and is currently the only person to be suing County for damages.

The compensation package falls into two parts. The first is only for the institutional investors which bought 180m Blue Arrow shares in a placing exer*cise shortly* after the rights issue. County and P&D, which handled most of the placing, are disputing how to share the costs of this scheme.

The second part is for the 2,000 to 5,000 shareholders who bought an estimated 40m to 50m Blue Arrow shares on the stock market during a specified period: between 29 September and 26 October 1987. It is worth up to 30p a share, plus a further 10p interest to reflect the 2¼ year gap. Basic rate income tax will be deducted from the interest section.

Investors might wonder why the compensation only applies to a limited period and how the amount was decided. The Blue Arrow rights issue closed on September 28 1987, so the start date is clear: anyone who bought shares after this was misled by the lack of disclosure that the issue had failed, and so paid too high a price.

The cut-off date (a week after the 1987 stock market crash) reflects the low point for Blue Arrow's shares. They had fallen to 91p, compared with 166p at the time of the rights issue. County did not actually own up to the failure of the issue until December 17. However, at that time the share price did not move an inch, suggesting that the stock market price already reflected the true value (probably more by luck and misjudgement than by any brilliant insight into the true extent of the problem). So only the people who bought shares before October 26 actually paid too much.

The amount — up to 30p a share — is more difficult to assess. The first thing to note is that the bank is not compensating people for what happened during the stock market crash of October 19 and the following days, only for the fact that investors were in the dark about the outcome of the rights issue.

County says it has looked carefully at the movement of the Blue Arrow share price relative to the rest of the stock market, and at companies which had successful rights issues at about the same time. It has also taken advice from several independent firms on the likely extent of the over-valuation of the shares. It says that 30p is at the top of the range of answers it was given.

It is also probably no coincidence that, at the time they decided to hide the outcome of the issue, County's executives estimated that to disclose the true picture would knock 20 to 30p off the share price.

It seems almost impossible for the small shareholder to assess the suitability of the compensation, which leaves two options. The first is to watch out for what the big investing institutions do. If they think the amount on offer is not enough, they are likely to push publicly for more, although this seems unlikely, after their initial favourable reaction to County's announcement.

The second option is to accept the assurance of County chairman Howard Macdonald, the forthright Scot brought in to clean up the bank after the Blue Arrow affair. He says the bank's aim is to put the whole business behind it: "to attempt to be cheap would be counter-productive."

Shareholders who believe they have a claim should clip the coupon from NatWest's advertisements in last Thursday's papers. Alternatively, write to: Claims Administration Service, NatWest Investment Bank, Drapers Gardens, 12 Throgmorton Avenue, London, EC2P 2ES.

Richard Waters

FINANCE & THE FAMILY

Andrew Hill explains company reports

Why the bare facts are just not enough

THE PRESS release last month carrying news of Lonrho's 1988-89 results was fulsome: it was "a splendid year" for Lonrho; Krupp Lonrho, a European subsidiary, "advanced remorselessly;" and the release added: "What else would you expect?" Well most financial journalists – and many small shareholders – would expect a little more detail.

In fact, closer examination of the 21 per cent rise in pre-tax profits showed that the international conglomerate owed much of the increase to a large trading profit on the sale of whisky stock to Brent Walker in November 1988. Stripping out that gain, the group's profits were up just 4.4 per cent.

Lonrho is notorious for producing sparse preliminary results' announcements. It probably doesn't matter much to its shareholders, who are among the most loyal in the country. But the high season for company results – early March to April – is approaching and small shareholders generally will be hoping their companies offer a few more scraps of information on which to chew than Lonrho usually does.

Under Stock Exchange rules, all listed companies must make a preliminary announcement of profits at the end of their full-year and half-year stage. These statements are no substitute for the glossy and detailed report and accounts, but the exchange wants to prevent a false market in the shares of any company.

Once a team of auditors begins to pore over the full-year figures the risk of price-sensitive information leaking out increases, so Stock Exchange rules state that a preliminary announcement of full-year figures must be made "as soon as possible after draft accounts . . . have been agreed with the auditors as the basis for completing the annual report."

Listed companies also have to send their interim (half-year) report to shareholders – or advertise it in at least two daily newspapers – within four months of the end of that financial period. Groups on the Unlisted Securities Market, which also are regulated by the exchange, have an extra two months in which to report half-way figures and need advertise them in only one newspaper.

At any rate, shareholders shouldn't have to wait too long after the year-end to judge their group's performance: the report and accounts must themselves be published within six months. In fact, most companies publish preliminary results three or four months after the year-end (hence the cluster of result stories during March and April from companies which have a calendar financial year).

Frustrated Lonrho investors may be surprised to learn that their company has no particular obligation to elaborate on its preliminary figures at that stage.

The Stock Exchange specifies the figures a listed group must supply (outlined below) and, broadly speaking, these are also the points reported by newspapers like the *Financial Times*. Preliminary results provide the first formal indication of a group's trading position; thus, they are almost certain to be more newsworthy for a daily paper than the report and accounts, which usually follow about a month later.

Theoretically, of course, the audited report and accounts could differ from the preliminary figures. In practice, this happens only rarely; when it does, it almost always justifies a separate news story.

In the company's announcement, the figures are displayed in tabular form alongside comparative figures for the corresponding period a year ago.

Depending on the business of the company, turnover is usually synonymous with sales.

Profit or loss, before taxation and extraordinary items, is the figure taken commonly as the first indication of a UK company's performance. For example, a headline such as "Lonrho profits rise by 21 per cent" would refer to the pre-tax line. That is an attempt to make companies' results broadly comparable, because taxation – which has also to appear in the preliminary results – can vary quite widely from the standard 35 per cent charge if, say, the group has strong overseas earnings.

As already indicated, though, the pre-tax figure can be misleading. Companies can take so-called exceptional items "above the line" if they fall within its normal trading activities. Exceptional items – which could be gains or losses – are not mentioned explicitly in the Stock Exchange rules, although all companies have an obligation to explain "any special factor" that has influenced its activities.

If the gains or losses fall outside the company's normal trading activities – so-called extraordinary items – they must be taken below the line, where they would not affect the group's pre-tax profits. Whether unusual gains or losses should be above or below the line can be a matter of considerable debate.

Companies include the full benefit of subsidiaries' profits in their pre-tax results. But if a group owns, say, 70 per cent of a subsidiary, it must list minority interests as a debit. That is, the share of the subsidiary's profit due to the 30 per cent minority shareholders. It falls after the tax line and before the profit or loss attributable to shareholders.

Extraordinary items come next in the table, followed by attributable profits after extraordinary items, and the total amount absorbed by dividend payments. Most companies will list separately the dividend payment as it would apply to individual shareholders. It will always appear, in news reports and in company figures, as a net figure – which assumes the basic rate of tax has been paid – in pence per share.

The group will also list earnings per share, which is the profits figure – after tax and minority interests, but before extraordinary items and the distribution of dividends – divided by the number of shares on issue. In the *Financial Times*, the earnings per share figure is always presented "fully diluted." That means it is based on the maximum number of ordinary shares which could be traded – for instance, if convertible shares in issue were transformed into ordinary shares.

Divisional breakdowns, balance sheets and interest charges are not on the Stock Exchange's Ten Commandments. That is not to say that companies cannot include more information in their press releases, or that financial reporters will not shy away from pressing executives to release more statistics. But even the bare bones of a group's figures may give investors and analysts the ability to prepare some basic investment ratios, allowing them to compare a company with its competitors.

The *FT's* analysis of company results might appear in the Lex column – if the group is particularly large, or its results particularly significant – or in the 120-150 word paragraph, headed "Comment" which usually follows a straight news story in the UK Company News section.

The pre-tax margin (pre-tax profits divided by turnover), is a crude index of how profitable the group is. A profit of £100m might sound large but, if it is generated from turnover of £10bn (a pre-tax margin of just 1 per cent), then shareholders could wonder, justifiably, if their company was in the right business.

One point likely to be pursued by analysts when the cost of borrowing money is high is a company's level of gearing. Gearing is the company's borrowings expressed as a percentage of shareholders' funds. Groups perceived to have high gearing (say, 50 per cent or more) could argue with some justification that a more relevant figure was interest cover (profits before interest and tax divided by interest charges); as a rule, the higher the interest cover, the more secure the company, irrespective of the extent of its borrowings.

Shareholders may also wish to know how easily a company can pay its dividends. They can do this by calculating dividend cover – profits after tax divided by the total dividend payment. A figure for this, covering every company in the London share service, appears at the back of the *FT*.

Company comments usually come with a reference to the prospective p/e ratio or multiple. This stands for price/earnings, and is the day's closing share price divided by a forecast of earnings per share for the full year (in comments on interim figures) or the following year (in the case of full-year results).

The p/e can be interpreted in a number of ways. If it is high compared with the market or sector, it could mean that the company's shares are over-valued by investors; that the group is the subject of takeover speculation (the presence of a large, potentially aggressive shareholder would push up the share price); or that it is an excellent company which analysts believe deserves a premium rating. Normally, the comment would explain the reasons.

The small shareholder could also compare the prospective p/e against the historic figures for each sector listed daily in the FT-Actuaries share indices (they appear in the second half of the paper in the section headed "London Market Statistics").

Unfortunately, in spite of the Stock Exchange's good intentions, the smallest investors are still likely to find themselves at the end of a long queue when it comes to selling or buying shares on the strength of companies' preliminary results. The news appears first on the exchange screens and is disseminated from there by financial journalists and brokers.

It is by no means a false market but, if you don't have a screen and are not poised by the 'phone for a first sighting of the results, you are likely to be beaten to the market place by the professionals. Those who wait for the following day's newspapers – and, perhaps, a more searching analysis – will be receiving information that has been absorbed, and acted on, by most of the investment community already.

Corporate carnage

IN THE past few weeks and months, the City air has been full of black-winged harbingers of the coming results' season. From the large (English China Clays, Coloroll, Tarmac) to the small (Filofax and Sock Shop), quoted companies have been heralding the corporate carnage which an uncertain stock market has feared since before Christmas.

The market still cowers at the thought of what other groups may be covering up, but investors who are worried could seek re-assurance in the Stock Exchange rulebook. It says: "Any information necessary to enable [shareholders] and the public to appraise the position of the company, and to avoid the establishment of a false market in its [shares], must be notified" to the exchange. That allows the companies some flexibility, and none would forecast the possibility of a drop in profits without careful consideration: shares in English China Clays tumbled by nearly 7 per cent when, on Tuesday, it warned of the effect of higher interest rates.

But withholding bad news risks incurring the wrath of the Stock Exchange, especially if word leaks out unofficially. And surprising the market with poor figures when the results are published is equally unpopular.

Those companies which have warned already of troubles ahead can at least comfort themselves with the possibility that investors may feel more sympathetic when the actual figures emerge.

£920 a burial, £712 a cremation

The very high cost of dying

"But there, everything has its drawbacks, as the man said when his mother-in-law died and they came down upon him for the funeral expenses".

– Jerome K. Jerome
Three Men in a Boat

NO-ONE likes to dwell on the cost of dying but the unpleasant truth is that it is has become a very expensive business.

Funeral costs in England, Wales and the Channel Islands have shown a sharp increase in the past year. This has emerged from a recent survey by market research company Mason-Shakespeare which was commissioned by the Odd Fellows Manchester Unity Friendly Society.

Burials now cost £920 on average, up 24.8 per cent on last year (including basic disbursements) while the average cost of a cremation has increased by 12.9 per cent to £712.

Prices do vary across the country, though: East Anglia, the Channel Islands and the south-west of England are particularly expensive regions for burials. If you want your interment to be cheap, you had better die in the Midlands.

Like property, burial plots vary widely in price from £60 to £620, according to region: they tend to be more expensive in the city than in rural areas. On the other hand, if you have chosen to be cremated, the survey says these are much more expensive in the south of the country (including London) and Wales.

The basic cost of a funeral covers removal of the body to the chapel of rest, a simple coffin, one hearse and one car – and the national average cost is £638. However, disbursements such as grave digger's fees, death certificates, headstone, flowers, burial plot, obituaries in the press and minister's fees add, on average, an extra £282.

Cremations are cheaper, because they do not include the burial plot and grave digger's charges. The average basic cost is £533 with disbursements adding a further £179.

Dying abroad can, however, be much more expensive. Transporting a body back home costs far more than a one-way economy class air ticket.

On average, it costs £2,500-£3,000 to fly from Spain, Germany or Yugoslavia to London (including embalming and airport fees), and £2,700 from California to London. Thus, it is a good idea to check that your travel insurance includes adequate cover.

Sara Webb

FINANCE & THE FAMILY

Offshore lure for investors

KEEP IT under your hat, but one building society has formed an Isle of Man subsidiary that will pay interest gross to investors. It will, therefore, appeal particularly to non-taxpayers seeking to take advantage of new rules for the independent taxation of married couples starting on April 6.

The move is something of a coup for the Bradford & Bingley, since it claims to be the first society to receive an operating licence from the Isle of Man Financial Supervision Commission and clearance from the UK Inland Revenue to offer its gross interest products to UK residents.

There are some snags, though. The Revenue will not allow the society to promote the Isle of Man products through its branches – it must wait for investors to ask for details.

Second, investors will be allowed to deal with the Isle of Man subsidiary – Bradford & Bingley (Douglas) Ltd – only by post or in person. You cannot deal through any of the UK branches.

All this is rather awkward. Still, for those nervous about putting their money offshore, there is the re-assurance of staying within the British Isles and dealing with one of the top 10 building societies.

There are financial advantages, too, for non-taxpayers. Bradford & Bingley (Douglas) is offering two products. One, called the Maximiser Independent Account, pays gross interest of 13.5 per cent (which will vary in line with changes in UK interest rates) on deposits of between £5,000 and £250,000. You must give three months' notice of withdrawal to avoid any loss of interest.

The other is the Maximiser Independent Bond, which pays 15.2 per cent gross (although this rate also could be varied) on investments of £10,000 and above that are locked away for 12 months. However, the first interest payment will be made on April 5, 1991, so that investors will receive the maximum benefits under the independent taxation rules.

John Edwards

The Week Ahead

Poor quarter hits ICI

IMPERIAL Chemical Industries, one of Britain's biggest manufacturing companies and a bellwether of the state of the UK economy generally, is unlikely to send anyone into raptures on Thursday when it unveils its results for the year to December 31. With the chemicals sector overall showing signs of a downturn, ICI is *believed to have had a poor* final quarter, with sales and profits hit particularly badly in commodity chemicals such as fertilisers and bulk organic materials.

That will leave pre-tax profits at about £1.5bn, only slightly above the record £1.47bn achieved in 1988. According to analysts, sales are likely to have moved up from £11.70bn in 1988 to around £13bn last year.

Sir Denys Henderson, ICI chairman, is expected to give a downbeat assessment of prospects for 1990. Trading in many *kinds of chemicals, particularly* the bulk variety which are sold in high volumes and at relatively low margins, is likely to become increasingly difficult as the year progresses. That will be offset by better prospects for higher-value products like drugs and agrochemicals.

Worryingly for many investors, though, ICI's performance in some other parts of its speciality chemicals portfolio has left much to be desired. There are thought to be particular problems in paints, films and other specialised industrial chemicals such as polyurethanes.

Three of the clearing banks – NatWest, Midland and Lloyds – produce their 1989 final results next week but investors will be keeping their ears open, as much for any hints of what the banks plan to do this year as for the figures themselves.

NatWest kicks off on Tuesday and is expected to produce pre-tax profits – after provision for lesser developed countries (LDC) – of £450m. The bad news about the Blue Arrow affair is mostly out of the way now: the announcement last week that the bank will make a £30m provision because of it hardly touched the share price.

Analysts hope the banks might drop some hints about tax relief on LDC provisions. Although a formal announcement *might* not come before the Budget, they are eager to know if the banks have been given any assurances from the Bank of England.

Lloyds is thought to be the most vulnerable in this respect and is expected to report a loss of £630m after its LDC provisions. *Although it is the most* "housing-connected" of the big four banks, analysts doubt whether the recent rises in interest rates will affect it, despite its increasing attention on the domestic market.

ICI's Sir Denys Henderson

However, the result awaited most eagerly is that of the Midland, in which the HongKong & Shanghai Banking Group has a 14.9 per cent stake. The two are looking at some form of close business association, but investors are keen to know whether this will be a cash bid or share swap.

The other point for which Midland's investors will look is evidence that its cost-cutting measures are taking effect. Analysts expect Midland to produce a loss (after LDC provisions) of £240m when it reports on Thursday.

The effect of lending to LDC, which has hit the banking sector since 1982, has changed in the past year: the provisions made by the banks have cured the problem in balance sheet terms and its significance is *expected to diminish as times* passes.

Owners Abroad, the tour operating and airline broking group, seems well-placed to ride out the turmoil in the package holiday business. Preliminary results due on Tuesday should show a healthy increase in pre-tax profits to about £13.5m, compared with full-year results last year of £9.6m.

The company is also expected on Tuesday to announce it is buying British Airways' 50 per cent stake in the Redwing Group for a nominal sum. *Owners already has a close* working relationship with BA on its air charter wholesaling, and the Redwing move will establish it firmly as the third-largest travel group after Thomson and ILG.

Terry Dodsworth on investment trusts

Where danger lurks

IF YOU BUY shares in a new investment trust these days, you will almost certainly be opting *for a highly focused investment in one sector or* another.

Out of 21 trusts launched in the UK last year, 20 were aimed at specialised areas, according to a study by County NatWest WoodMac. So far this year, a further eight specialist investment trusts have been announced, many of them with a distinctly European flavour.

This emphasis on focused investments is one of the reasons for the present buoyancy of the investment trust industry. Managers have found that the public is tempted by clear investment objectives – high income funds for private individuals, *for example, or* Far Eastern funds for people who want to cash-in on the rapid industrialisation of the Pacific region. But there are dangers as well as advantages in this approach.

The first point to remember is that by investing in a specialist trust, you are exercising far more of your own judgment about financial trends than you would in buying into a generalist trust.

With a specialist trust, you are saying that you believe a certain area has good prospects and is worth backing with your own money. It is no good blaming the fund managers if, for example, you go into a German fund only days before the Frankfurt Stock Exchange suffers a rout.

Second, the selection of a specific area for investment means you are exposing yourself to *potentially* more volatile movements in share prices than in a general trust.

Generalists have widely-spread portfolios that can balance sectors performing poorly with the stocks that are performing better. Specialists, on the other hand, should show handsome gains when their area of investment is performing well, but will have little to cushion a fall if the investment area goes into reverse.

Third, don't forget that many specialist funds are put together to exploit short-lived opportunities. Thus, you need to be alert to the fact that these opportunities may disappear and be replaced by *new ones* - another reason for fairly active management on your part.

Fourth, look carefully at what distinguishes the different trusts. Hamish Buchan of County NatWest, points out that the batch of recent trusts aimed at continental Europe will try to exploit the prospects for growth in the region in several different ways – one by concentrating on small companies, another on blue chips, and *some by country specialisation.*

Fifth, most new trusts carry warrants. They do this because investors like them and can generally make money out of them. But the equity dilution caused eventually by warrants can give you an unpleasant surprise if you forget that they are there.

IN BRIEF

PEPs surge to a record

A RECORD number of personal equity plans (PEPs) were taken out in 1989, according to Peter Lilley, Financial Secretary to the Treasury. Since PEPs (which are tax-exempt investment schemes aimed at encouraging wider share ownership) were intro*duced in 1987, investors have* taken out nearly 700,000 with a total investment of nearly £1.5bn. Of those PEPs, 300,000 alone were taken out last year, more than double the number in 1988.

Part of the explanation for the increased interest in 1989 *stems from the rules having* been changed in the last Budget, allowing investors to raise the maximum investment from £3,000 to £4,800, while the maximum that could be invested in unit trusts and investment trusts within the plan was raised from £750 to £2,400. – *Sara Webb.*

■ ■ ■

THE YORKSHIRE Building Society has announced a new mortgage with a fixed interest rate of 13.5 per cent which will be available from next week. *The rate is fixed for* two years, after which it reverts to Yorkshire's normal variable base rate; thus, if you think rates will stay high for two years or more, this could be worth investigating.

But remember that, as with all these fixed-rate schemes, the penalties for changing are heavy if interest rates come down suddenly – in this case, three months' interest for early redemption.

The minimum loan is £25,000 and Yorkshire will lend a maximum of 95 per cent of the pur*chase price or valuation* (whichever is the lower) for house purchases. – *S. W.*

■ ■ ■

BROWN Shipley Unit Trust Managers has re-launched its Orient Fund with a new investment manager – Kangyo Kakumaru Capital Management. This is the investment arm of a Japanese security group, Nippon Kangyo Kakumaru Securities. It seems logical to employ a major Japanese investment house to manage a fund which invests both in Japan and the emerging Asian markets. However, Brown Shipley is the first UK unit trust group to form such a liaison.

Up to now, the Orient Fund's *investments have been* managed by the Edinburgh-based Dunedin Fund Managers. Figures from Micropal show that, over the longer term, the Orient Fund has been in the second quartile but its performance has slipped over the short term.

Dunedin now has its own Far East Trust, so it was to be expected that Brown Shipley should find another manager.

Nippon Kangyo Kakumaru Securities is the fifth-largest securities company in Japan in terms of net assets ($1.5bn), and its two major asset management companies oversee funds worth $25bn. Brown Shipley Investment Management has funds of £1.4bn. It might *smack of David and Goliath* but investors must now await the outcome in terms of performance. – *Eric Short.*

■ ■ ■

MANY investors need to think about whether they should "bed-and-breakfast" their shares before the end of this tax year. This is the practice of selling shares on one day and buying them back at the same price the following morning in order to realise a capital gain or loss for tax-planning purposes.

If you decide to do this, always check first that your broker is not going to charge you the commission twice. It is standard practice to charge only the normal commission on the sale of shares and then to waive commission on their re-purchase.

Of the banks which offer cheap dealing-only services to investors, Midland, Barclays and Lloyds do not charge for the re-purchase but NatWest levies a £25 fee. But the deals must take place in the same account period and cannot be accepted on the last dealing day of the period. – *S. W.*

■ ■ ■

THE LEEDS Permanent Building Society is raising the interest rate on its Visa card from 27.57 per cent to 29.08 (APR) next week, which puts it at the upper end of the scale. This is, however, an affinity card: money is donated to the British Heart Foundation, Imperial Cancer Research Fund and MENCAP every time one is used. – *S. W.*

■ ■ ■

INVESTMENT trust savings schemes, which allow people to buy shares with regular monthly payments, are con*tinuing to increase in popular*ity.

Last year, £84m worth of investment trust shares were bought through such schemes against just £22m in 1988 and £14m in the previous year. The Association of Investment Trust Companies says the number of regular savers has increased to more than 31,000, with an average of £62 invested each month.

The AITC also is arguing for new tax measures and improved dealing facilities in order to spread share ownership. In a submission to the Confederation of British Industry's task force on the subject, the AITC says centralised savings schemes, simpler registration procedures and screen-based dealing services all have a part to play in encouraging *more ownership of shares.* – *Terry Dodsworth.*

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
ABB Kent (Hldgs.)	178‡§	172	153	135.27	ABB Investments
Alexander (W.)	113*	113	112	32.02	Spotlaunch
Britannia Sec.‡	131§	132	109	102.77	ADT
Chemoxy Intl.	400	395	268	11.82	MTM
Colomaide Dev.	163*§	165†	161	8.24	Plusflow
Desoutter Bros.	700*	688	635	89.5	Atlas Copco
GPG‡	17*	20	23	55.0	IEP
Hartwell	155*§	156	120	122.55	Oakhill
Do. 7.875pc Pf	142.1*§	145	104	49.75	Oakhill
Hyman	30*§	29	26½	15.84	ER Carpenter
Intl. City Hldgs	34	34	34	23.11	York Trust Grp.
Jitra Rubber	55	52	50	6.10	Rowe Evans Invs.
Just Rubber	140*	135	72	10.5	Scapa Group
KLP Group	238*	235	180	23.60	RSCG (UK)
Do. Conv. Pref.	87*	85	67	8.44	RSCG (UK)
Lalog Properties	650*§	669	584	390.80	Pall Mall Props.
Mackay (Hugh)	128§	125	132	7.65	Allied Textile
Mainmet Hldgs.	10*§	12	60	0.83	ISS
Norfolk Cap.	41¼§	41	36¼	170.82	Queens Moat
Really Useful Grp	225*§	240	218	77.4	Jorrabon (No.25)
Saga Group	300*§	297	294	54.24	De Haan
Saltire Ins Invs	78.75§§	68	60	11.81	ESR
Sanderson Murray	178*	198	150	3.325	Rickett Mitchell
Sketchley	380	376	364	130.4	Godfrey Davis
TDS Circuits	10*	20	20	0.90	Telerecoop
Tavern Leisure	26	30	36	7.14	Millwall Hldgs.
Woodington	35	35½	42	7.78	Bridgend Group

*All cash offer. ††Cash alternative. ‡Partial bid. §For capital not already held. ‡Unconditional. **Based on 2.30pm prices 16/2/90. †At suspension. §§Shares and cash.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Bear Brand	Dec	271 L	(186)	-	(0.14)	-	-
BP	Dec	2.533bn	(2.077bn)	31.8	(20.0)	14.9	(13.5)
Brooke Tool Eng.	*Sept*	*1,530*	*(1,652)*	3.1	(3.7)	1.9	(1.8)
Cranbrook Elec.	Dec	489 L	(420)	-	(3.51)	0.5	(1.25)
Crest Nicholson	Oct	37,120	(36,050)	26.3	(25.6)	7.65	(7.15)
Egerton Trust	Dec	19,020	(7,970)	29.4	(11.1)	10.0	(6.5)
European Assets	Dec♥	4,070‡	(3,400‡)	0.16	(0.14)	0.14	(0.12)
Fairway (London)	Dec	*474*	(279)	3.8	(2.7)	2.75	(2.5)
Fleming American	Dec	1,120†	(853†)	1.65	(1.24)	1.5	(1.2)
Fleming Fledge.	Dec	1,580#	(967#)	4.67	(3.87)	4.3	(3.6)
General Consol.	Nov	4,200†	(3,780†)	9.46	(8.45)	9.46	(8.44)
Green Property	Dec††	2,120	(1,420)	8.4	(6.33)	3.5	(3.1)
Hunterprint Grp.	Oct	2,200L	(6,450)	-	(26.8)	3.0	(10.0)
Leslie Wise	Nov	4,170	(3,190)	8.72	(7.27)	3.5	(3.0)
Lloyds Merchant	Dec	12,800	(8,101)	-	(-)	-	(-)
London Fiduciary	Oct	437	(283)	2.33	(1.89)	-	(-)
Manchester Ship	Dec	5,000	(486)	90.7	(-)	-	(-)
Rank Xerox	Oct	264,500	(274,200)	-	(-)	-	(-)
Reuters Holdings	Dec	283,000	(215,400)	43.6	(32.0)	13.0	(9.0)
Rivlin & Mercant.	Dec	5,280†	(5,280†)	8.36	(6.75)	7.3	(6.55)
Scottish America	Dec	6,080◆	(6,290◆)	3.61	(2.81)	3.3	(2.57)
SEP Industrial	Dec	2,490	(1,324)	4.01	(3.14)	1.0	(0.75)
Summer Int.	*Sept*	1,510	(151 L**)	10.4	-	1.0	-
TR Pacific Inv.	Dec	1,600†	(1,050†)	0.52	(0.36)	0.25	(0.2)
Yeoman Invest.	Dec	2,930†	(2,490†)	11.9	(10.1)	12.25	(10.3)
Young Group	Dec	2,840	(2,636)	22.1	(22.2)	7.8	(8.25)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Abingworth	Dec	105	(166)	-	-
Amstrad	Dec	30,100	(75,300)	0.4	(0.4)
Automagic Holdings	Oct	35	(173)	2.25	(2.25)
Bailey CH	Oct	325	(188)	-	(-)
Black Peter Holdings	Dec	5,250	(5,000)	0.77	(0.65)
British Airways	Dec§	71,000	(61,000)	-	(-)
Bryant Group	Nov	14,700	(31,100)	1.4	(1.4)
Dalgety	Dec	57,100	(51,700)	7.15	(6.5)
Essex Furniture	Dec	261	(245)	1.0	-
First Spanish Inv.	Nov	340	(221)	-	-
GC Floorings & Furn.	Dec	12	(265)	0.9	(0.9)
GT Venture Invest.	Dec	701‡‡	(38‡‡)	-	(-)
Hanson	Dec§§	225,000	(195,000)	-	(-)
Hartley Baird	Oct	406	(403)	0.25	-
Honeysuckle Group	Nov	294	(1,590)	-	(2.0)
Howard Holdings	Oct	1,210	(1,610)	0.6	(0.6)
Huntingdon Int'l.	Dec●	3,670	(2,880)	-	(-)
Independent Investmts.	Dec	95†	(708†)	-	(-)
Mainmet Holdings	Nov	782 L	(171)	-	(-)
News Corporation	Dec♣	138,300	(201,815)	-	(-)
Norton Group	Oct	617	(257)	-	(-)
Orchid Technology	Dec‡	444 L	(1,100)	-	-
Photo-Me Int'l.	Oct	8,830	(6,720)	1.2	(0.6)
Second Alliance Tst.	Jan	3,240†	(2,720†)	11.0	(8.0)
Sock Shop Int.	Aug	4,000L	(630)	-	(1.0)
Trace Computers	Nov	934	(847)	0.85	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.† Net revenue.‡ Figures in US dollars and cents.# Net income.♥ Figures in Dutch guilders.● 1st quarter figures.# Gross revenue.** Figure for 6 month period.§ 3rd quarter figures.§§ 1st quarter figures.♣ Net profits in Australian dollars.†† Irish punts & pence.‡‡ Income for six months.◆ After-tax profits.

RIGHTS ISSUES

Gestetner Holdings is to raise £85.2m via a one-for-two rights issue 180p.
Goodman Group is to raise £5m via a three-for-four rights issue at 22p.
Newman Tonks is to raise £32.3m via a one-for-four rights issue at 150p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Amcliffe Holdings	Wednesday	2.0	4.0	2.25
Camellia Investments	Monday	5.0	12.0	5.0
Campari International	Tuesday	2.0	6.5	2.0
Cityvision	Tuesday	-	1.0	-
EFT Group	Thursday	0.2	0.5	0.3
English and Overseas Prop.	Thursday	-	1.5	2.0
First Tokyo Index Trust	Wednesday	-	0.25	-
Forwell Group	Thursday	-	-	-
ICI	Thursday	19.0	32.0#	21.0
Lancashire & London Inv. Tst.	Thursday	1.0	1.75	1.0
Lloyds Abbey Life	Friday	5.6	9.9	6.0
Lloyds Bank	Friday	5.5	11.3	6.4
LWT (Holdings)	*Friday*	2.04	-	2.45
Midland Bank	Thursday	6.8	8.6#	7.3
National Westminster Bank	*Tuesday*	4.825	10.0	5.325
Owners Abroad Group	Tuesday	0.6	1.75	0.7
P & P	Tuesday	1.0	2.0	1.1
Property Company of London	Tuesday	-	-	-
Provident Financial	Wednesday	6.0	12.0	7.0
Reliant Group	Monday	-	0.8	-
Renown Inc.	Friday♥	-	12.5	-
Scottish Eastern Investment	Tuesday	1.0	2.0	1.15
Second Market Investment Co.	Wednesday	-	0.23	-
Temple Bar Investment Trust	Monday	3.2	5.3	3.7
Trencherwood	Wednesday	1.31	3.82	1.5
Yorkshire Chemicals	Wednesday	3.0	7.0	3.5
INTERIM DIVIDENDS				
Alumasc Group	Friday	2.65	5.35	-
Armour Trust	Monday	0.25	0.95	-
Ashtead Group	Monday	0.65	1.05	-
Courtney, Pope (Holdings)	Friday	2.5	5.0	-
Elders IXL	Friday§	9.5	11.0	-
FII Group	February	3.5	6.5	-
Fletcher Challenge	Tuesday†	11.5	15.5	-
Havelock Europa	Wednesday	2.6	1.0	-
Herrburger Brooks	Wednesday	-	-	-
Minerals Oils & Res Shs Fund	Friday	-	-	-
New Zealand Investment Trust	Wednesday	1.5	1.5#	-
Pilco Holdings	Tuesday	5.0	7.0	-
Scottish Investment Trust	Thursday‡	1.0	2.2	1.15
Sinclair Goldsmith Holdings	Thursday	1.6	3.5	-
SWP Group	Friday	-	-	-
Throgmorton Dual Trust	Monday	2.0	5.5	2.25

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.† New Zealand cents per share.‡ Quarter figures.♥ Figure in Japanese yen.# 2nd interim dividend.§ Australian cents per share.

FINANCE & THE FAMILY

Caroline Garnham anticipates Budget tax changes

Act before Mr Major

ONE OF the most effective tax avoidance ploys is the offshore trust. But it is rumoured that the Chancellor may put an end to this particular form of tax planning in this year's Budget on March 20. Last year there were similar rumours, and nothing happened but there could be a general move to close tax "loopholes" this year so if you want to be sure of using an offshore trust to save tax, it may be wise to act fast.

An offshore trust allows you to transfer your wealth to offshore trustees who own the trust fund for the benefit of you or your beneficiaries, such as your children or grandchildren. Your trustees will pay no tax in the tax "haven" and the trust fund remains unknown to the rest of the world and, to a large extent, protected from your children.

Because a trust is secret, it has advantages over an offshore company. Not least of these are the tax benefits. The trust is owned by the trustees, so neither you nor your beneficiaries are deemed to have any control over it, whereas a shareholder of an offshore company is in control to a greater or lesser extent.

UK taxation respects this difference. Take the example of a company which would be regarded as a "close company" if it were based in the UK: if it makes a capital gain, a UK resident shareholder owning 5 per cent or more could be liable personally to tax on the gain made by the company.

If offshore trusts make a gain, however, neither the settlor nor the UK resident beneficiaries are liable to capital gains tax immediately and in certain situations no one will be liable at all.

This is the principle behind the "freezer" trust. If you "emigrate" a company into an offshore trust, even if it has increased in value since you purchased it, no tax is payable at the time you appoint the new trustees.

For example, if you bought a small private company "off the shelf" for £100, you could decide to transfer it immediately into a UK-based trust with yourself and your solicitor as trustees. The costs of running an offshore trust mean that it is not worth "emigrating" your trust until it has a value of at least £200,000.

Say, for example, that the company increases in value to £500,000 and you think that over the next few years it will would increase further to around £5m – at which point you hope to sell it. So you decide to "emigrate" the trust it by appointing Guernsey trustees. No tax is payable at the time that you move the trust offshore and appoint new trustees even though the company, in this example, has already gained £199,900.

If you wait until your company is worth £200,000 before you put it into the UK trust, you will have to pay tax at your top rate of tax on the £199,900 gain (less indexation) as soon as you put it into trust or when you appoint the offshore trustees, depending on the type of trust and what you put into it.

If you sell the shares in the offshore trust for £5m, say in two years' time, the entire gain made on the shares since they were put into trust will not be liable to capital gains tax immediately. The tax can be deferred until either capital is paid to a UK-resident beneficiary or he receives a benefit from the trust which is not charged to income tax. In some cases where the settlor or the beneficiaries are not resident in the UK, the capital gains tax can be avoided altogether.

Offshore trusts can also be used to save income tax and inheritance tax, but only if you as settlor are prepared never to benefit directly from the trust. You could use the the trust, for example, to build up a nest egg for your children or grandchildren, transferring investments to the offshore trustees to reinvest out of the UK. The income from the trust fund can then be accumulated tax free, until such time as the money is paid to them.

If you set up a trust for your children or grandchildren, no inheritance tax will be payable on those investments unless you die within seven years.

Trusts, and in particular offshore trusts, sound too good to be true, but they are not advisable for everyone. Offshore trusts are expensive to run. The average offshore trust, where the trustees are not involved in any complicated or time-consuming asset management, will cost the trust fund at least £1,000 a year.

As a rule of thumb, £200,000 is usually considered the minimum amount worth putting into an offshore trust, with the possible exception of assets which are worth less than this but which are expected to increase rapidly in value, for example, private company shares.

Many of the banks, lawyers and accountants in the main offshore tax havens (such as the Channel Islands, Gibraltar, Bermuda, and British Virgin Islands) provide a trustee service. Usually the best are found in countries which have a trust law so that the trust is not obliged to borrow a trust law from another country. This can prove awkward if any problems arise with the trust because legal advice has then to be imported, leading to massive costs.

UK law and most other laws relating to trusts and trustees are very strict and do not permit the trustees to benefit from the trust in any way. Unless otherwise stated in the trust deed, trustees' services must be gratuitous.

However, unwary settlors of offshore settlements frequently fall into the trap of signing an "off the peg" trust deed provided by a professional offshore trustee. In fact a trust deed is not just another piece of paper given to you by your banker or accountant: it is the only link you will have left with your money and it must be carefully drafted to reflect the settlor's intentions.

In many cases where a settlor has signed on the dotted line for an "off the peg" trust, he may discover later on that it cannot be altered, or that he has agreed to an absurdly wide indemnity clause to cover all the mistakes that his trustees could make or that he has agreed to a trustee charging provision which cannot be questioned.

Offshore trusts are probably the most effective form of tax avoidance available to the UK tax payer and it is hoped they will remain as a tax avoidance loophole for many years.

■ *Caroline Garnham is a tax lawyer with the London firm of solicitors Taylor Joynson Garrett.*

ACTION!
FOR THE END OF THE
FINANCIAL YEAR

Terry Dodsworth on worries over convertible shares

Hanson is as Hanson does

A SIZEABLE chunk of the UK market in convertible shares is likely to disappear shortly if Hanson gains approval to convert its 10 per cent 2,007/12 stock. The four year old issue will be converted if holders of 75 per cent or more agree by the end of this month. This would eliminate about 10 per cent of the convertibles available in the UK.

Not all investors are happy with the proposal, though. In particular, some *Financial Times'* readers are questioning the timing of the income payments of the two types of stock.

Interest on the convertible is paid in March and September to coincide with Hanson's October to September fiscal year. But dividends go out in July and February (finals). As a result, convertible holders would miss their March payment if conversion went through and it would be July before they received the first dividends on their new shares.

Stephen Hugh-Jones, who has owned some Hanson convertibles from the time of the company's takeover of Imperial in 1986, says this discrepancy in the payment date will probably lead to a cut in his income from the company over the period to next March. "I'm not saying that Hanson is doing anything illegitimate," he stresses. "But I am saying that a sensible convertible holder would not accept this proposal."

Hugh-Jones' criticism is based on the cash flow from his Hanson investments. Take a holder of a nominal £1,000 of the convertibles, he says. This investor would be due three net payments of £37.50 on the stock over the next 13 months (one in March, another in September and the last in March 1991) – a total of £112.50. But if the conversion is agreed, the investor will receive just two payments, in July and February next year, missing out on the final dividend due this month.

Based on a conversion rate of 775 shares to £1,000 of convertible stock, and Hanson's forecast of a 10.4p dividend for the present year, the net dividend income will amount to only £80.60.

Hugh-Jones says it is quite reasonable to argue that this will mean a shortfall of £31.90 for the period he has selected. In addition, investors may suffer a further blow since the Inland Revenue could tax accrued interest up to the conversion date.

Hanson, however, is not impressed by these arguments. According to Martin Taylor, the group's finance director, convertible holders agreeing to switch into ordinary shares have to accept that they cannot be paid twice for the same period of corporate activity: the convertible payment to March this year relates to the six months from last September; and the interim dividend payment in July will be for the same period. He adds that the terms of the conversion were stated clearly at the time of issue.

What should investors do, then? Hugh-Jones and other critics would like to whip up feeling against the proposal so that Hanson would not be able to push through the change. "I've got nothing against Lord Hanson," he says, "but I don't see why he should increase his cash flow by diminishing mine."

Hanson's opponents face an uphill battle. For one thing the timing rules on dividend payments will not change, even if the conversion is delayed. At the same time, most institutional investors look set to convert, giving the company the 75 per cent majority it needs to force everyone to do likewise.

"The point you have to look at is the cost of not converting," says Roger Clough, a Panmure Gordon analyst specialising in convertibles. "Gross annual income for an investor converting into the ordinary shares would come to 13.86p a share on Hanson's forecast while, on a like basis, the convertible income is worth 12.9p a share."

Clough concedes there is a timing difficulty for investors. But he points out that this is not unusual in the convertible market and normally is reflected in the market price of stock. "If you stick with the Hanson convertible in the future, you will be facing a loss," he adds.

Portfolio pool

FROM AN office overlooking the main street in the little town of Haddington (pop 7,988), near Edinburgh, a new fund has been devised for the investor who wants his money to be handled by a professional manager but doesn't have enough to meet most fund managers' minimum investment requirements.

McInroy & Wood, a small personal fund management company, has launched an unusual type of unit trust to appeal to those with between £10,000 and £100,000 to invest. Instead of each saver having an individual portfolio, which does not give him a reasonable spread of investments and is expensive to administrate, the saver's assets are pooled with those of others into a unit trust.

The authorised unit trust, called MW Joint Investors Fund (MWJIF), invests in a range of assets including British and US equities, government stocks and corporate bonds. But it has some unusual features.

There is no front end sales charge, which in other unit trusts is usually 5 or 6 per cent. This is because McInroy and Wood is not paying commissions to intermediaries and is only marketing the new vehicle in a modest way. It will levy an annual 1.5 per cent management charge.

"This is not a conventional unit trust," says Alan McInroy, 69, who retired some years ago as a leading figure in the Edinburgh investment community. "It's an attempt to get back to the roots of the unit trust as a way of pooling resources, before the unit trust was hijacked by salesmen. But naturally it has all the tax benefits and other advantages of a unit trust."

It urges investors to view the unit trust as a long term investment. "We don't want to be exposed to performance pressure and have to get to the top of the tables," says McInroy's partner Victor Wood, 46, who previously worked for Investors Capital.

Initial offer price is £10 per unit until February 22. Minimum investment is £10,000. Details from: MW Investment Managers, 46 Court Street, Haddington, East Lothian, EH41 3NP.

James Buxton

FINANCE & THE FAMILY

John Edwards on the state of the market after Abbey's rate rise

The mortgage treadmill

ABBEY NATIONAL's decision this week to lift its mortgage rates is a serious blow for many homeowners. There is little doubt that other banks and building societies will follow suit, albeit reluctantly.

The main reason behind Abbey's move was a drop in the flow of funds coming in *from retail depositors, a factor* which has also been worrying the major building societies. They have been holding down mortgage rates below the bank base rate and wholesale money market *levels* by restricting the interest paid on deposits – in other words, savers have been subsidising borrowers.

This has always been recognised as a short-term strategy, *since many savers will obviously* be tempted to transfer their money elsewhere if they can get higher returns. At the same time, building society funds were hit by the water *privatisation* and, *more* recently, by savers taking their money out in preparation for the introduction of independent taxation of married couples, due to start in April.

The interest on building society and bank accounts is subject to the automatic deduction of composite rate tax, which cannot be reclaimed even if you are a non-taxpayer. So married couples have been frantically searching for alternative savings schemes which will allow non-working wives to use their tax allowances.

One obvious way for banks and building societies to try to stem the outflow is to raise the rates paid to savers, but this of course also means increasing the cost of mortgages. Abbey's *transition from building society to bank* may have made it especially vulnerable to competitive pressures, as a greater proportion of its funds to finance mortgages come from *the more expensive wholesale* money market. Nevertheless, it is still viewed as a building society by the public, so if it puts up interest rates to savers, as promised, the other *societies will follow suit.*

At this stage it is not quite certain whether Abbey's mortgage rate increase will be followed in full, and many societies may try to delay rises for as *long as possible.* It is widely hoped that the Chancellor may do something to help relieve the plight of homeowners, and especially first time buyers, in *his forthcoming Budget. There is also the prospect of a cut in* interest rates after the Budget bearing in mind that the government does not seem so preoccupied with protecting the value of sterling against other *currencies.*

Nevertheless the Council of Mortgage Lenders confirmed this week that mortgage arrears, and repossesions of houses, are rising fast and Abbey's move is likely to add further pressure.

There are several temporary measures which can be taken. Lenders have come up with a wide variety of different types of mortgages where the monthly payment is reduced. As a result there has been a tremendous boom in remortgages, as borrowers switch *their loans in an effort to* reduce the burden.

Fixed rate mortgages, from one to 25-year periods, have become very popular. In most cases they are fixed below the present standard level. Their popularity is not surprising since most people believe interest rates have peaked and the next move will be downwards.

Low start loans, where you pay interest at a reduced rate in the early years, are another popular alternative. But in most cases the shortfall in the interest paid is added onto the capital sum, thereby increasing the size of the debt. Payment is thus only deferred and compounded interest can mount up at a frightening rate.

Foreign currency mortgages are even more dangerous, following the fall in the value of sterling and the rise in interest rates in other countries, like West Germany.

Temporary discounts, and delays in starting payments for endowment policies or other mortgage repayment vehicles, are also offered by many lenders to soften the blow. Many borrowers are switching to straight repayment mortgages, which are cheaper at present interest rates.

Nevertheless, the fact remains that, apart from the fortunate few who took out mortgages at low fixed rates, borrowers face a hard time, especially as the value of the properties, which provide the collateral for the loan, is falling at the same time.

For savers, the picture is almost the reverse. Abbey National has promised that it will raise interest rates on deposits by around 0.75 per cent and there is little doubt that societies like the Halifax will follow suit. So it will be worth waiting before making any new investments that lock you in for a specified time period, such as guaranteed income bonds.

Borrowers should shop around for mortgages, since there is likely to be quite a lot of confusion in the months ahead as other lenders seek to capitalise on Abbey's move.

Eric Short warns that your damage claim may not be paid in full

Are you sure you're covered?

BRITAIN'S HOUSES, like their owners, are taking a battering this winter, and with more storms forecast it is worth checking your policy to make sure you have adequate cover.

Insurers and reinsurers are facing costs of at least £2bn, *although householders will* have their claims met in full from their insurer only if they have adequate cover on their house insurance policies.

What is adequate cover? *Basically, for the house structure,* the cover (or sum insured) should be the cost of completely rebuilding the house and any outbuildings, walls or other items covered by the insurance policy.

This is not the same as the cost of buying the house on the open market. You can calculate the cost of rebuilding and keep the amount of cover up-to-date quite simply with the help of basic figures from the Association of British Insurers (ABI) and the Royal Institution of Chartered Surveyors (RICS).

The RICS calculates the rebuilding costs per square foot of external area of the building. The costs depend on the type and size of house, and geographical location, and are updated annually.

The details of these RICS rebuilding costs are given in a free leaflet* from the ABI. A revised leaflet with the September 1989 costs will be published shortly.

To work out the rebuilding costs for your house, first calculate the external area, allowing for upstairs, and then use the formula outlined in the accompanying table. The insurance premium for the house will be the current premium rate (£2 per £1,000 sum insured) multiplied by the rebuilding costs (£E).

You will have to make your own estimate of the rebuilding costs for D, although the ABI leaflet gives an indication of rebuilding costs of a garage.

The ABI figures only apply to standard buildings constructed of brick and standard fittings, including full central heating. So if your house has a luxury kitchen, for instance, you will have to decide the increase for item C yourself.

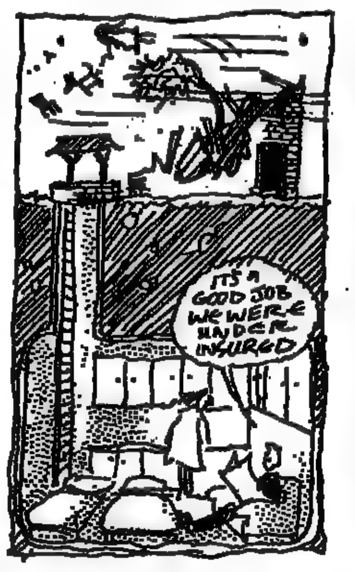
The ABI has taken much, but not all, of the guesswork out of estimating the rebuilding costs. Once the householder has calculated the sum insured, it is usually kept up-to-date through an automatic link to the RICS rebuilding cost index.

HOUSE INSURANCE COSTS

Total external area in square feet	A
Rebuilding costs per square foot	£B
Rebuilding cost of house	£A × B = C
Cost of rebuilding garage and other outbuildings, walls etcetera	£D
Total rebuilding costs = sum insured	£C + D = £E

Anyone who has taken out a *mortgage within the past 10* years will have had all the spadework done: the surveyor's report includes a figure for the appropriate cover.

If you have had a mortgage for longer than 10 years, you may have to calculate the area yourself, which involves measuring the length of the walls of the house and thinking back to your O level maths days, or get a surveyor to do the work. *The ABI leaflet includes typical* areas for small, medium and large buildings as a guide.



Householders should not be surprised to discover that current rebuilding costs are far below market values. For example, the typical rebuilding cost (at September 1988 values) of a small terraced house in London built after the Second World War with no garage is £43,200. The market value, even in the current depressed state, could be twice this.

If the sum insured is too low and the householder has not taken the trouble to get it even approximately correct, they risk having a claim scaled down in proportion to the amount of under-insurance.

Even if the initial sum insured is correct, the index on which the sum insured is revised is only an average of costs over the whole country. So the sum insured on a London property, revalued by the index, could become progressively too low, while in the north of the country it could become too high.

This means that the level of cover should be revalued at least once every three years and certainly revalued for any extensions and alterations made to the house. So you should keep your original calculations in a safe place.

If you are about to pay off your mortgage, remember to find new cover. If your house insurance has been arranged by the mortgage lender, this arrangement will cease when the mortgage finishes and you will need to make your insurance *arrangements; something* that is often forgotten.

Finally, do householders face yet another increase in the premium rates to insure their houses as a result of the recent winter storms?

Fortunately it looks as if there will not be an increase this time: for a start, insurers had two profitable years in 1988 and 1989 on their house buildings account. Secondly, the market is becoming very competitive, with new insurers joining the fray (particularly from Europe) and smaller insurers trying to expand.

Thirdly, the direct insurers now reinsure their risk, thus limiting the direct cost to them. So the cost of house insurance is partially determined by the cost of getting reinsurance.

However, it could be a different story if there are more severe storms next winter.

* *Buildings Insurance for Home Owners free from the Association of British Insurers, Aldermary House, Queen Street, London EC4N 1TT or from most local branches of insurance companies.*

Green reward

DRIVERS USING lead *free* petrol can now get a five per cent discount on their premiums on any of the motor insurance policies offered by the TSB General Insurance Services. *The company is the the* first to reward motorists who have switched to lead free petrol.

In the short-term, the cost of this discount is being borne by TSB itself and the consortium of insurers which underwrite the TSB motor insurance policies, since as yet there is no statistical evidence that drivers using lead free petrol are better drivers and have lower claims.

But TSB believe that people who care about the environment are also likely to be responsible *people and this* will be reflected in their driving. The company will be tracking the experience of these drivers.

Eric Short

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	Compounded return for taxpayers at 40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	5.00	5.10	4.05	monthly	1	-	0-7
High interest cheque	7.00	7.20	5.76	monthly	1	500-4,999	0
High interest cheque	9.00	9.40	7.52	monthly	1	5,000-9,999	0
High interest cheque	9.20	9.60	7.68	monthly	1	10,000-49,999	0
High interest cheque	9.50	9.90	7.92	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.50	6.61	5.29	half-yearly	1	1-250,000	0
High interest access	8.50	8.50	6.80	yearly	1	500	0
High interest access	9.00	9.00	7.20	yearly	1	2,000	0
High interest access	9.50	9.50	7.60	yearly	1	5,000	0
High interest access	9.75	9.75	7.80	yearly	1	10,000	0
90-day	9.75	9.99	7.99	half yearly	1	500-9,999	90
90-day	10.25	10.51	8.40	half yearly	1	10,000-24,999	90
90-day	10.75	11.04	8.83	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	11.75	8.81	7.05	yearly	2	5-25,000	1 mth
Income bonds	12.50	9.93	7.94	monthly	2	2,000-25,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue◆	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.76	11.31	9.05	monthly	1	2,500	0
Provincial Bank	11.05	11.59	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	13.45	11.33	10.05	half yearly	4	-	0
8pc Treasury 1992	13.06	10.93	9.65	half yearly	4	-	0
10.25pc Exchequer 1995	11.88	9.21	7.61	half yearly	4	-	0
8.5pc Treasury 1990	12.23	9.94	8.57	half yearly	4	-	0
3pc Treasury 1992	10.83	10.00	9.50	half yearly	4	-	0
Index-linked 2pc1992§§	10.50	9.98	9.67	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day; immediate access for balances over £5,000.◆ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

EXPATRIATES

Taxing problems for the elite

BRITAIN HAS long played host to foreign businessmen and their families. They form an elite class of taxpayer, as they are resident but not domiciled in the UK. They are entitled to valuable tax privileges — as are the second or third generation British expatriates who were born overseas but who have returned to the UK temporarily. However, they need to arrange their finances properly.

The advantages are no longer as great as they were in terms of employment income. However, by setting up separate employments, non-domiciliaries who work in the UK for foreign companies (other than those based in Eire) can ensure that the payment for the overseas element of their work is taxable in Britain only to the extent that it is received there — *in other words, on a remittance basis.*

Not surprisingly, there are special rules which prevent you from avoiding tax by simply inflating the potentially tax-free overseas salary at the expense of the payments for the fully taxed UK duties.

If you fall into this category — resident but not domiciled in the UK — your overseas investment income will be subject to the remittance basis, enabling you to curtail or eliminate tax liability simply by controlling the amount received in the UK.

Substituting capital remittances for income will also avoid liability, except to the extent that capital gains are included.

However, it is important to

remember that "remittance" covers several things: a simple transfer of funds to the UK, the direct payment of pecuniary liabilities incurred there, as well as sending funds borrowed overseas to the UK (the debt thus incurred being discharged from overseas income).

You should not assume that unremitted income will, after time, somehow take on the guise of capital which can then be received in the UK without liability.

As a rule, so far as the UK authorities are concerned, income remains taxable indefinitely. Happily, this is subject to limitations. Income which arises in a year in which you are not a UK resident is not taxable in the UK unless it arose in a year immediately before a year of residence, in cases where a "preceding year" basis of assessment applies.

Furthermore, since income tax must be annually renewed by Parliament, it does not take notice of sources of income which cease in a previous year. So, for example, if you have an overseas deposit account to which interest is credited each year, closure of the account will terminate the source and remittance to the UK on or after the following April 6 will *not* provoke any liability to tax.

A similar situation would occur if, after some years' residence, you became domiciled in the UK (and therefore liable to income tax thereafter on an arising basis) because the accumulation of overseas income from earlier years could then be remitted without liability.

So if you plan a period of residence in the UK, it is important to make early arrangements to separate those funds which are potentially taxable from those which are not. You need to take considerable care as the Inland Revenue will certainly spot any defect in your plans.

Overseas capital gains are also taxable on a remittance basis although there are important differences. For a start, the Inland Revenue does not accept that gains can be separated from the underlying capital which gave rise to them. Also, there is no relief for losses.

For example, if you were to realise two shareholdings each for £5,000, on the same day, with one giving rise to a gain of £2,500 and the other a loss of the same amount, and then remitted all of the proceeds to the UK, the £2,500 gain would be taxable (subject to the annual exemption) and the loss would be ignored. Furthermore, since capital gains tax is not annually renewable, remittance in a year subsequent to the disposal will attract liability.

As for inheritance tax, liability is restricted to assets situated in the UK rather than on a worldwide basis. Even foreign currency accounts held by UK banks are excluded. However, for the purpose of inheritance tax only, do not overlook the fact that the definition of domicile is extended to encompass any individual who has been tax resident in the UK for any period of 17 out of 20 years — although in applying this test, any residence owned in the UK can be left out of account.

The escape of all liability in relation to overseas assets is very valuable in its own right and for those planning permanent residence in the UK might be extendable indefinitely. It is also possible to eliminate liability even on UK assets during a temporary stay although this is an area where changes — statutory and otherwise — are frequent.

Donald Elkin

■ *Donald Elkin is a director of Wilfred T Fry of Worthing, West Sussex.*

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

A bequest to children

MY CHILDREN, both minors, have received fairly *substantial* bequests as a result of the deaths of their grandparents.

Under the terms of the wills, some of the money is due to them at age 18 and the remainder at 21. Their investments are registered in my wife's name with an account designation of the childrens' initials and dividends are paid into separate bank accounts in their names.

What action, if any, must I take when the children reach the age of 18?

What action can I take now or later to help them protect their inheritance against, say, a live-in or married partner who sought to claim a share of their assets following the break-up of a long term relationship?

■ You must give the children the money they are entitled to (or the shares representing such money) at the respective ages provided in the will.

If the bequest is absolute at the respective ages, you cannot do anything to limit the beneficiary's right to dispose of the gift as (s)he thinks fit.

Gems lose sparkle

I BOUGHT two diamonds as an investment in 1980, shortly before the market slumped. The original cost was £6,150; by March 1982, the value had dropped to £1,932. The value at October 11 1989 was £1,655.

I am considering selling the diamonds and I would be pleased if you could advise as to how the capital loss should be calculated for tax purposes.

■ We are sorry to say that you will *not receive any tax relief* for your loss. The loss is disallowed by section 128(3) of the Capital Gains Tax Act 1979, as amended by section 123 of the Finance Act 1989, and section 96(4) of the Finance Act 1988.

Change in taxation

MY WIFE and I have most of our investments in unit trusts in our joint names. The income from these is paid into our joint bank account. We each have individual building society accounts and one held jointly. Under the new separate taxation regulations, will half the income be accepted for each of us without any adjustments, or is it necessary to put half our investments in individual names? We are both pensioners.

■ You should not need to change from the joint unitholdings. Indeed, it is better not to, since it makes for simpler transposition on the death of one of you if the units and accounts are in both names.

Hunt for lost mail

I HAVE recently become aware that my next door neighbour has not been returning mail addressed to me, which the postman has mistakenly put through his letter box. What action can I take?

■ You can call periodically and ask for your letters. If he fails to give them to you or has destroyed them you would have a claim for wrongful interference with goods. But you cannot insist that he deliver them to you or redirect them.

Taxed on hobby

I AM a housewife and have recently been pursuing a working hobby. Can you clarify the following points in view of the change in personal taxation to be introduced in April? I have organised a number of lectures based on my working experience. The income from these is not a lot more than my expenses, although I hope to do better by next year. The expenses are all pertinent to the business: flip chart, videos, telephone and travelling expenses. It is not certain at this stage that my business will end the year in profit or not.

a) Should any net profit be included in my husband's return for this year?

b) Should any net loss be included in my husband's return for this year?

c) Would there be any gain by bringing forward necessary purchases into this year so as to ensure a loss?

■ You seem to assume that your "working hobby" will be accepted by your tax inspector as a profession assessable under case II of schedule D. That being so, it is surprising that you do not appear to have given any thought to the day to which you should make up your professional accounts each year.

If you have not already done so, you should ask your tax inspector for these free pamphlets: IR28 (1988) — *Starting in business*, IR24 (1986) — Class 4 national insurance contributions, CA1 (1973) — Capital allowances on machinery and plant. You should also ask for IR26 (1982) — Income tax assessments on business profits: changes of accounting date.

Your tax inspector may decide that your lecture fees are assessable under case VI of schedule D, not case II. Case VI assessments are made on a much simpler basis than those under case II, but the deductibility of expenses is not as generous.

Briefly, the answers to your specific questions are: a) Yes, but the calculation depends upon your choice of accounting date, inter alia. b) Yes, but the amount of the loss need not be stated in his return, merely the fact that there was no profit. c) There may be no advantage, but there would be no disadvantage (apart from the commercial one).

After reading the IR28, you will have to decide whether you should seek professional assistance with your accounts and the tax matters (including VAT and class 2 national insurance).

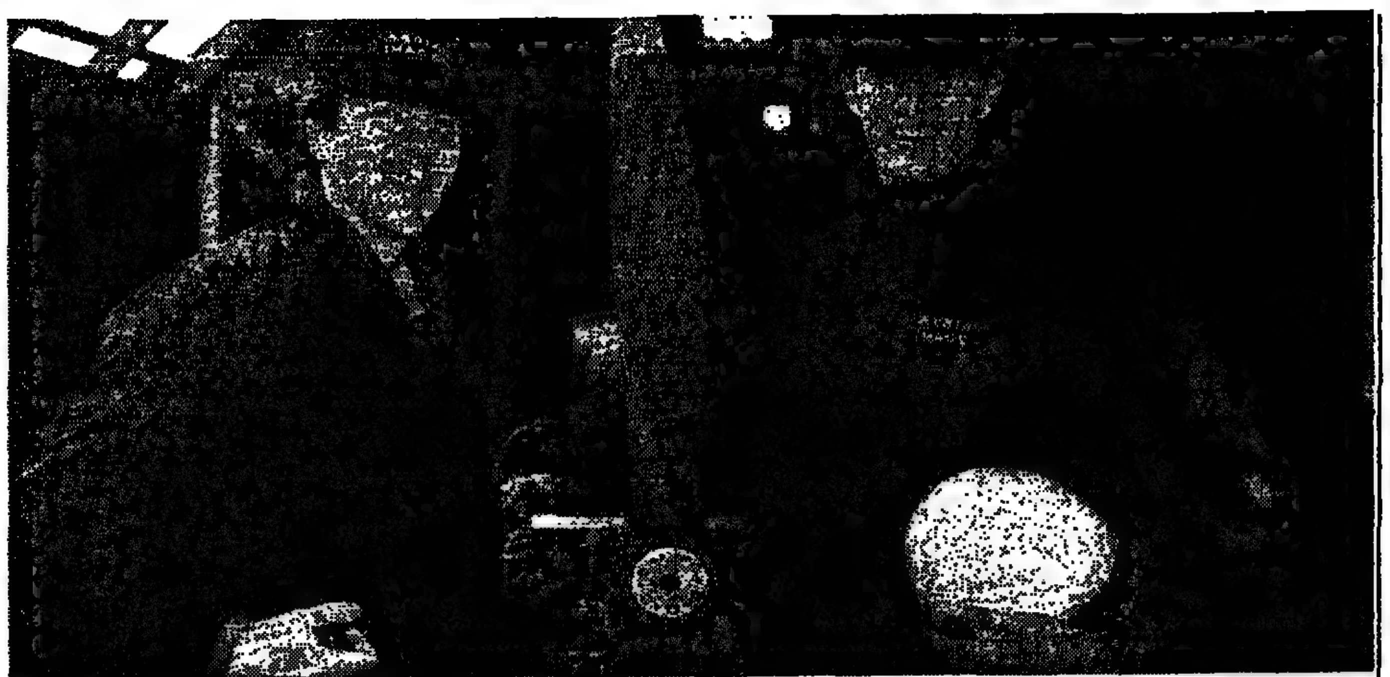
Tax bill on expatriates

FOR THE past 17 years my husband and I have lived and worked in Hong Kong, paying no UK tax. We propose to return to live and work in England this year. Will we be subject to UK taxation for the fiscal year ending March 31 1990?

■ The UK tax year runs from April 6 to April 5, as distinct from the UK financial year — which runs from April 1 to March 31. The five-day difference between the tax year and the financial year is *administratively cumbersome*: it will doubtless be eliminated by a reforming Chancellor at some time.

You will find general guidance in a free booklet, IR20 (residents and non residents: liability to tax in the UK), obtainable from the Inland Revenue Public Enquiry Room, Somerset House, Strand, London, WC2R 1LB. Broadly speaking, because there is no double taxation agreement between Hong Kong and the UK, you will be assessable to UK tax on your UK income for the whole of the year 1989-90 (the year ending April 5 1990) but only on your oversea income for the period from the day of your arrival in the UK. Similarly, your capital gains for the period before your arrival in the UK will probably escape UK capital gains tax, by virtue of extrastatutory concession D2. When asking for the booklet IR20, you may also like to ask for the current booklet of extrastatutory concessions, IR1: concession A11 will interest you, as well as concession D2.

This reply is based upon the assumption that you and your husband are (and always have been) domiciled in England and Wales (or in Scotland or in Northern Ireland) and that you are returning to the UK for permanent residence here.



Jason Hawkes, left, and Tim Kendall: only grounded by gales

Roy Hodson meets two young entrepreneurs in a flying machine

Pulling a profit out of the air

TWO FRIENDS who met as schoolboys, and are still only 22, expect to pull £60,000 out of the air this year. They have turned the joys of flying a micro-light aircraft to profit after learning how to use it as a platform for aerial photography.

Jason Hawkes and Tim Kendall are the co-directors of Aerial Images, which they started last year. They were sitting in their tiny office at Burghfield Common, Berkshire, and feeling rather frustrated when I met them.

Many days of gales had kept them grounded. But their business plan provides for the weather factor and its uncertainties and they were confident they could catch up with their commitments as soon as the wind moderated. Anyway, weather or not, they had managed to squeeze six assignments into January after budgeting for only four.

They had an early lucky break with a series of commissions from Berkshire county council for aerial pictures.

Then, in their first few months they got a better stream of business than they had dared to expect from owners of country houses, property developers wanting to view their land from the air, and companies with attractive new plants in the Thames "silicon valley" computer heartland.

They have had 20 commissions since starting last summer and the pace of business is quickening.

Their minimum charge has been £325 for a set of transparencies and one big colour print. For this flying season, the minimum charge will be raised to £400.

The two-man micro-light is a cheap and flexible tool if you are young and welcome the "Biggles" aspect of each day's work – encased in a flying suit and exposed totally to the elements.

Kendall is the pilot and Hawkes sits behind him. They communicate by microphones and headsets built into their helmets.

The machine, a Hybred R, is designed to be dismantled and towed behind a car. It can be packed away in half an hour but needs a little longer to assemble because safety tests must be carried out.

The micro-light is powered by a 450 cc, two-stroke Austrian snow-mobile engine which uses two gallons of petrol an hour, giving an endurance of about two hours.

Although they can climb to 10,000 ft, most of their photography is done at between 500 and 1,000 ft. When flying into a headwind at 40 miles an hour, they can slow to the speed of a bicycle. "It makes for brilliant photography," says Hawkes.

He began with a 35 mm camera but found that the need to use high shutter speeds of one-500th of a second or less, to avoid camera shake, made it difficult to get fine resolution on the small transparencies. After experimenting with various formats, he will in future use a Bronica with a big film size (6 cm by 7 cm).

Another important strand of Aerial Images' business is producing portfolios of aerial photographs for exhibitions and publishing. Hawkes has already compiled his first, which includes some fascinating geometrical patterns of the Hampshire landscape – the tree-tops of a forest looking like coarse-weave tweed, a lake in a field like a jewel on green baize, mysterious patterns showing under the top-soil.

Before they set up the business, Hawkes was working as a photographer in a Covent Garden design studio after completing design and photography courses.

Kendall had quit a degree course in politics at the City of London Polytechnic and was learning to fly a micro-light in Kent. "It was an unbelievable feeling," he says. "Then, Jason had the idea that we could combine the two skills."

They calculated they would need £12,000 capital – for starters, a second-hand micro-light costs £5,000 – and put in £4,500 of their own money. The Deptford Enterprise Agency and the Calor Gas Business Fund lent them £1,000 each and the manager of Barclays Bank, Deptford, provided a £5,500 loan secured by their parents.

They realised they were under-funded the day they crashed their first micro-light on the ground (the wind changed on take-off) and had to top-up the insurance money for a new model. By then, though, the business was taking shape and Barclays provided an £8,000 overdraft facility.

Their plans include working from fixed-wing aircraft – Kendall is studying for a licence – as they take on increasingly sophisticated contracts. Eventually, they would like to work from a helicopter as well. But that is in the future. One priority now is to buy a smart new flying suit. At present (as a gesture to managing their cash flow), they have only one between them – which they "book" when going out on formal business interviews.

■ *Aerial Images. Brookfield House, Manns Hill, Burghfield Common, Reading. RG7 3BD (tel. 0734-832-837).*

JOSEPH and Mary Pilbery are sure about one thing: "There's not much money to be made out of Vivaldi!" And after hearing of their experiences running a small orchestra over the past seven years, their way of earning a living sounds the most precarious I have yet heard about. But the main thing is that their venture, the 20-player Vivaldi Concertante, based in London, is still in business and has a programme of more than 20 concerts this year.

Joseph, 58, the Concertante's director, was born in London. He studied the violin and conducting at Trinity College, London, and has been a full-time musician ever since. His love for Italy and Italian music was shared by Mary, a young oboist in one of the orchestras he conducted. They married in 1970 when she was 21 and have one son, Richard, 15.

They decided in 1983 to found their own orchestra, one reason being that they were fed-up with the constant struggle to obtain regular employment in music. "We decided to create our own work by forming a professional chamber orchestra," says Joseph.

They named the orchestra in honour of the composer whose work they planned to feature strongly in their concerts. It is run as a limited company with the Pilberys as the directors.

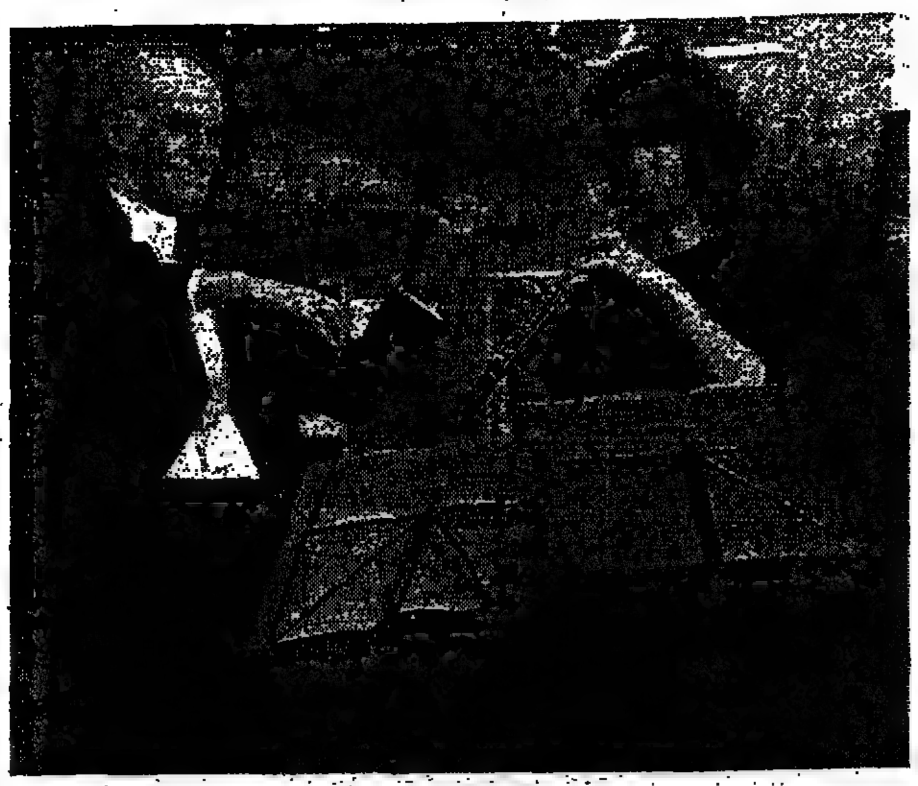
Joseph has two widely-differing roles. He is responsible for the artistic side, including conducting. But, to keep the orchestra alive, he has to spend more than half his working hours seeking sponsors for concerts. He would, he says, much prefer to spend more of his time studying scores and researching new material but he has yet to find anyone who can take over his role as salesman.

Without sponsorship, the orchestra could not survive. Every concert requires someone to put up more than £6,000 to cover the costs of the night as well as making a proportional subscription to regular overheads.

Mary plays regularly in the orchestra and is also the business manager. She runs its affairs from their home in Potters Bar, north of London, with an Amstrad micro-computer as her main business tool. But Joseph confesses that son Richard is not very interested in music. This reaction is perhaps not surprising given such an intense domestic atmosphere of music and musical economics; indeed, even the dog is called Paganini.

All those in the orchestra, including the Pilberys, are hired for each concert as free-lances. It can call upon a pool of about 25 musicians and has a nucleus of 13 regular players. Paying minimum union rates, it costs the Pilberys just under £100 to have each player for two rehearsal sessions in the concert week plus the performance itself.

The orchestra's first concert was a South Bank debut in the Queen Elizabeth Hall in aid of the Italian Hospital in London. It has appeared at the Royal Festival Hall; the Barbican; St John's, Smith Square; and the Royal Albert Hall. The Pilberys also have inaugurated concerts at the Wellington Museum, Apsley House, using the Duke of Wellington's Waterloo Gallery, and the orchestra reinforced its Italian connections by being the first to play on the Orient Express train while travelling from London to Venice.



Joseph and Mary Pilbery: even the dog is called Paganini

There's not much profit in Vivaldi . . .

A concerted effort at making a living

The balance sheet for each concert is a delicate affair. In addition to needing sponsorship, they must bring-in another £6,500 from ticket sales to cover costs such as wages, advertising, printing (about £1,000 for each performance), box office costs and hire of the hall. (The Queen Elizabeth, one of the orchestra's favourites, costs more than £1,000 for a night). Value-added tax has to be paid on the tickets and the venue chosen for the concert normally takes a commission of between 12.5 to 13.5 per cent on each ticket sold.

Joseph pays himself a conductor's fee of £550 for each performance – which means he earns nothing for long periods when concerts are a month or more apart. Mary earns her £100 for each performance as a player and also gets £40 a week to handle administration. She is augmenting the family income by teaching music.

In the orchestra's first full year, ending in 1984, it had a turnover of £36,000 and made a £3,000 loss. Two years later, with a turnover of £60,000, it broke even for the first time. Figures for 1988-89 show a turnover of £112,000 and gross profit of £7,000.

Some entrepreneurs might be depressed by such an uncertain future. But the Pilberys are philosophical about it. "We have been there before and will probably be there again."

The orchestra might have gone under without the support of Italian businessmen in Britain. Alfa Romeo (UK) had a three-year association and other sponsors have included Pirelli (UK) and Fiat plus Pegasus Holidays, Pilgrim Air, and building contractor Duffy and Carr. "We have been lucky in that sponsors do tend to stay with us for a period of years."

Two years ago, the company won a place on the Management in Action scheme, run by the Manpower Services Commission, and was given the services of a professional business manager for three months. "That was really the turning point for the orchestra," says Mary. "Turnover improved by 50 per cent during the following year and has not slipped back."

Looking ahead, the orchestra will keep as its bedrock a great deal of Vivaldi's most popular music. But it will also encourage audiences to hear lesser-known compositions by him – first British performances of seven Vivaldi works are scheduled this year – and by other composers from the baroque and classical periods.

■ *Vivaldi Concertante. Allegro, 35 Laurel Avenue, Potters Bar, Herts EN6 2AB (tel. 0707-50735).*

R.H

PERSPECTIVES

Active Citizens

Colonel Michael Stewart: "Industry could learn a lot from the Army" Trevor Humphries

A refined reservist

Christian Tyler meets the very model of a part-time Colonel

THE OIL refinery across the river from ICI's big chemical works on England's north-east coast is run by an army colonel. Colonel Michael Stewart, general manager of the Phillips-Imperial Petroleum joint venture on Tees-side, does not exactly wear his uniform in the office. But as one of the most senior irregular soldiers in the country, he certainly believes in taking his military training to work with him.

The Territorial Army is urging employers constantly to make it easier for people to take time off for training to defend the realm. Stewart thinks they would be doing themselves, as well as the nation, a favour if they paid more attention. Industry, he says, has a lot more to learn from the military than it realises.

Soldiers these days can find themselves in charge of expensive equipment but they do not rise through the ranks unless they can manage men. "In industry, that's not understood. Young graduates think the way to the top is technical brilliance," says Stewart.

"There is no question that the army teaches leadership in a way that industry does not. Both in the army and industry, you must have demonstrable leadership qualities. YOU show that you will do what your men are going to do. YOU show that you are anxious to understand them, that you know about their wives and children, and which football team they support."

Stewart says he meets scepticism at management seminars "from people with a Blimpish view of the army who think it's cushy compared with industry." But he has persuaded his own employer, ICI, to send managers – especially the sceptics – to have a look at army methods.

The political upheaval in eastern Europe and apparent disarray in the camp of Nato's common enemy will not help the recruitment plans of Stewart and his friends. "The tide was going our way until recent weeks," he confessed. "At the time of the Falklands, you had to beat them away from the door. We are a patriotic nation." It will be harder now to sell weekend soldiering by appealing to that patriotism. But Stewart is convinced that the reserves will become more important as the UK's regular forces, too expensive to maintain at home, are cut back.

This senior officer in ICI's civilian army gets no more time off for military duties than any other volunteer: the group grants one extra paid week a year. He is chairman of the Territorial, Auxiliary & Volunteer Reserve Association (TAVRA) for the north of England, a job he hands over in April when he becomes high sheriff of Cleveland. He is also a vice-chairman of the national council of TAVRAs.

Stewart's extra-mural career has brought with it a number of minor honours and ceremonial posts over the years: a deputy lieutenant of the county, honorary ADC to the Queen, honorary colonel of the Signals Regiment, fellow of the Royal Society of Arts, county chairman for the steering committee of Industry Year, Order of the British Empire.

Stationed on Tees-side all his working life – he joined ICI in 1956 and the Territorial Army in 1951 after national service with the Signals in Austria and West Germany – Stewart says he has been able to get involved with the community in a way that more mobile managers cannot.

He thinks that people are less interested in helping others than they used to be. "There is a climate of 'me only,' a breakdown of old values and religious beliefs," he says. "It's sad." But he does not pretend that he chose his other career for anyone but himself. "It was mainly because I got a kick out of it. On the other hand, I can comfort myself that I am doing some good, not just doing it for the hell of it."

Romanian Sanda Miller reflects on the country since the revolution

Vlad Barbu

The Brechtian nightmare

A GREY February morning in Bucharest and business is as usual: people wrapped up warmly stride purposefully along the boulevards; buses, cars and the occasional lorry speed down busy main roads, contributing to the cacophony of urban noises associated with any metropolis.

How deceptive. Soon enough, this impression of normality was dispelled when I came across a kind of makeshift commemorative shrine. Defiantly placed at a major junction between the Republicii and Magheru boulevards, it consisted of several primitively assembled wooden crosses surrounded by bunches of fresh flowers and candles . . . hundreds of thin, yellow-lit candles to which more lit candles were added by a continuous stream of newcomers. They were bringing flowers to those killed on that spot during the revolution. You began to notice more shrines; at street corners, in the middle of squares or on pavements hugging the walls covered with slogans and graffiti against the defunct Ceaucescu regime.

In front of the National Theatre, people were congregating in separate groups. Hyde Park Corner in the middle of Bucharest. The crowd made way until I reached the middle of one group but what I saw was not some orator but a silent protester. The placard around his neck announced that he was on hunger strike for free television.

Free television? A woman scurried by shouting with disdain: *"Si tot crapam de foame"* (and we are still dying of hunger). Unexpectedly the protester called my name and underneath the black woollen hat, pulled down to the eyebrows, I recognised the son of one of my closest friends. Rodica Dumitrescu is a top political journalist writing for the magazine *Lumea (The World)* – a kind of Romanian *Time* magazine – who was one of the speakers in the adjacent crowd. She had interrupted her stay in Warsaw and returned to Bucharest alerted by the possibility of civil war. It sounded so portentous I burst into laughter but she was in no laughing mood and had little time to explain.

Later that day I discovered the cause of the seemingly incomprehensible events I had witnessed by talking to a group of students. Marian Despina, a theatre student, explained that the cause of general hysteria started from the demonstrations which took place on the January 28 and 29, when the students organised a street rally. All they wanted was reassurance that the National Salvation Front was not adopting the old methods and ways of the dreaded Ceaucescu regime. It was absolutely civilised but the Front alerted the workers that armed hooligans were organising an insurrection, she said. On Monday morning workers and miners, mostly from the provinces, were brought by the lorryful to Bucharest and unleashed upon the students.

"It was horrible. People were inflamed. They needed a hatred. This people need a hatred – they are in continuous revolution because of their fanatical indoctrination. Ceaucescu disappeared quickly; not everybody could strangle him or tear a piece of flesh from his body but the hatred remains."

Silenced for almost half a century, people need this catharsis and they cannot stop arguing, yelling, debating . . . I was not even surprised to witness a bizarre ad-hoc example. A middle-aged, common-looking little fellow was ushered into our room in the architecture faculty. He sat at *the table and without introducing* himself proceeded to inform us that he was with the National Salvation Front and the purpose of his visit was to protest against the students. He was the perfect specimen of the long-winded demagogue but in his lunatic ramblings he was voicing the innermost fears which divide Romanians.

Vlad Barbu, a young architect, told me: "The revolution was so unexpected that everything we are experiencing seems unreal. I would not be surprised to switch on my tv set and see Ceaucescu preaching his usual inanities – that we must fight for disarmament, peace, etc . . . Too many unexpected phenomena are happening and we cannot cope. For instance, people are not used to the vote. A colleague interviewed a peasant who told him that before voting was simple: you received a piece of paper with a name on it; you ticked or did not tick it and off you went for your spritzer. 'Now whom do I vote with?' he asked. I ask myself the same question. We don't know the 'new ones.' For that reason, our students' movement proclaims itself apolitical; permanently apolitical."

When I visited Romania in July, the supermarkets were empty – apart from bottles of Romanism champagne, tinned *green peas and something* which looked like shredded cabbage in pickle jars – now things are improving. I saw in a window of a supermarket bunches of fresh kohlrabi. For me the ridiculous vegetable became almost a symbolic harbinger of a *Romanian spring.* In front of a bakery, boxes full of freshly- baked bread unloaded from a lorry filled the air with the reassuring smell of normality but, paradoxically, this only seemed to add to the surrealist effect of dislocation I have been experiencing .

Queues are still in evidence; one such was for hot doughnuts distributed from a cardboard box. I asked one of my two companions to take a photograph but instantly regretted my insensitive request. An elderly man touched his face with his finger, which signifies: "Shame on you!" My embarrasment grew when a man from the end of the queue came forward and took my arm. "Come," he said, "I take you in front of the queue."

I spent the evening at the home of my hosts which was *like a haven of civilisation.* Before the revolution this would have been illegal because foreign citizens were not permitted to accept private invitations. Professor Raoul Sorban, his wife Eva and their teenage daughter Christina are among a privileged minority who own their eighth-floor, three-bedroom flat on a bleak estate in one of the many identical residential quarters of Bucharest. Eva had to give up her job as a costume designer to avoid commuting to the neighbouring town of Giurgiu and now works from home.

We spent the evening talking until 10 pm when we switched on the tv set to watch the end of the trial of the infamous four – Ceaucescu's ministers – Manea Maescu, Tudor Postelnicu, Emil Bobu and Ion Dinca. All received life jail sentences. This was followed by excerpts from the trial of Elena Barbulescu – sister of the former dictator. Dressed like a peasant, she refused to utter a single word. She stood alone in the middle of the room. We could only here the voices of her interrogators.

Suddenly it seemed that we were watching a Brecht play. Bertolt Brecht at his finest. I could almost hear the the insidious: "Oh, moon of Alabama/we now must say good-bye/we've lost our good old mamma . . . Mahagonny." Bucharest was the socialist *Mahagonny, only the night*mare was real.Frighteningly, it is not over yet.

Archaeology

Ancient bureaucracy

A SURPRISE find from Knossos, the Bronze Age capital of Crete, is always an excitement. A few years ago it was *cannibalism*, detected *from butchering marks* on children's bones. Now it is a cache of 3,000 clay tablets written in the Linear B script, the earliest form of Greek, from which a team of experts is uncovering more of the hidden side of the Mycenaean civilisation of Greece (1600 to 1200 BC).

Mycenaean frescoes and the rich *finds* in their royal graves point to a world of warriors and hunters who loved display and ceremonial. But the Linear B archives *show* a collectivist society, where bureaucrats used taxes and inventories to control every part of life.

The new find came after a heavy day in the Heraklion Museum. The archaeologist returned to her work in the storerooms and angrily kicked a cupboard door. It burst open, revealing tray upon tray of Linear B tablets wrapped in The Times of 1907. Overlooked *for at least half* a century, they doubled at once the total of tablets from Knossos and gave the experts the exciting promise of new information on Crete around 1375 BC when the palace at Knossos was burned.

That was four years ago. Now the results are beginning to emerge. They confirm the brilliance of the young architect Michael Ventris who in 1952 deciphered Linear B as a syllabic type of Greek. Some 87 signs represent different syllables, unlike the present Greek and Roman alphabets of 24 and 26 signs where one letter sign can be used as part of different syllables. If Linear B was Greek, that meant Greek Mycenaeans were ruling Crete from Knossos in 1375 BC. There are other signs, such as the appearance of kits of weapons in graves of, presumably, Mycenaean officers, and a change in men's clothing from Minoan codpiece to Mycenaean short kilt.

The other major archive dates from almost 200 years later, 1,200 tablets in the palace at Pylos in the south west Peloponnese.

The tablets *give* a coherent picture of the society, in spite of their two centuries' range. They are not literature – three have doodles on the back. A handful at Pylos may indicate shortages and troop movements when the demise of the palace was imminent.

The other *texts* are all lists, inventories and tax returns. In a decimal system of numbers they record totals and deficits. Ideograms (picture signs) are a quick key to the contents of tablets and were an aid to illiterate porters and messengers.

The signs were cut in the tablets with a sharp object, possibly a thorn set in a holder. The tablets were then left to dry before being stored in sealed baskets.

A study of the handwriting has shown that Knossos had about 70 scribes and Pylos 40. Their work provides us with a time capsule of the state of affairs when the palaces were destroyed.

The first step in the study of the new cache from Knossos has been to look for joins with the 3,000 existing tablets. That involves matching scribes' handwriting, checking the contents of texts and, as in jigsaw puzzles, looking for how the breaks fit. Already 1,000 joins have been found.

The new, fuller texts round off accounts, pin down place names and confirm the general picture of intense control near the palaces and a looser rein on the periphery.

What do the tablets tell about the Mycenaeans? The people are farmers, herdsmen, craftsmen and slaves, under local civil officials and military officers. The king owned everything and ruled everybody, and his palace officials recorded what was owed him as taxes or paid as tithes to the gods. A feudal society, its land documents could be from the Domesday Book. Through his officials the king distributed food rations and essentials for their trade.

At Pylos, seed corn was doled out and sometimes found insufficent. The smiths got their quotas of raw bronze and perfumiers received herbs and wine to boil up in olive oil to make scent.

Knossos gives more detail. The chariot tablets list chariots by their frames and fittings, like a motor car spare parts' list, and some complete chariots with wheels and a pair of horses. Wool was a big source of income. The tablets record huge flocks of sheep. The wool was spun and woven, and some exported. Palace control of all this was so tight that there is no word in the tablets for "merchant," nor is there any sign of a currency.

Only under the palace scribes' umbrella was Mycenaean daily life possible. Everything was listed, from missing linen to the names of cows at Knossos – Dapple and Dusky.

This *society* is a far cry from the heroic symbolism of the great Lion Gate of Mycenae, let alone the stories of Agamemnon. In mainland Greece it came apart around 1200 BC when the palaces were all burnt. We do not know by whom or why, but the tablets give hints of trouble. The quotas for the bronzesmiths are small, suggesting bronze (an import) was scarce. That would mean fewer new weapons. And a group of sailors are despatched to hold a place called Pleuron. Whatever the trouble, the tablets give an up to the minute account, and when the Mycenaean palaces fell, Greece never again had a regime like theirs.

Gerald Cadogan

Shattering the hero myths: Knossos, the palace of bureaucrats

The patter of many feet

Bring your children to Belgium, says Tim Dickson

IF YOU'RE condemned to the joys of nappy changing, toddlers' tea parties, and answering awkward adolescent questions over the breakfast table, come to Belgium.

Large families are definitely "de rigueur" here, as we've just discovered by acquiring the privileges – and, I've no doubt, the status – of a so-called "famille nombreuse" (minimum three offspring).

Besides winning the full social approval of our Belgian neighbours (three children to each side, three opposite, and four two doors down the street), we now qualify for a whole new range of financial benefits including half price travel for the whole tribe on Belgian railways, Brussels buses and metros, and certain cross-Channel ferries (always assuming, of course, that we ever get the army on the move).

A necessary first step is to sign up for the highly active and fiercely independent League of Families – price of entry BF900 (£15) – a move which also brings advantages like cheaper shopping (reductions in certain stores), access to more than 160 "babysitting centres," and free copies of *Le Ligueur*, a magazine packed with useful tips.

Brussels being the uncrowned capital of the European Community, there is of course no question of foreigners being excluded from the majority of these perks. Somewhat to our discouragement, though, the Royal Family's long standing patronage of very large families – an endorsement of active breeding if ever there was one – is available only to the Belgian citizenry.

Under a tradition whose origin even a Royal Palace spokesman could not trace seventh sons and seventh daughters automatically become godchildren of the King or Queen.

Baudouin alone has 591 of the little charges in Belgium itself (and a further 71 in former colonies like Zaire) but the image of him wrapping up all the Christmas presents and busily engaged in a non-stop round of wedding receptions was quickly destroyed by a Palace official.

"The onus is really on the godchildren to keep in touch and the local mayor usually acts as proxy for the King," he explained, putting an end to thoughts of pursuing the discrimination question through the European Court.

The promotion of Belgian family life is rooted deep in the country's social and political structure, but it is also, in part, the result of more recent concern at the falling birth rate.

The central role and significance of the family, for example, is reflected in the political philosophy of almost all the myriad political parties (notably the dominant Flemish speaking Social Christians). Political power has always been decentralised in Belgium with the result that apparently parochial concerns like the election of the village mayor are much more interesting to most people that who will be the next Prime Minister (though this may also be due to the fact that it's always Wilfried Martens).

Contrary to the commendable performance of the families in our street, the average Belgian woman now has 1.54 children in a lifetime, against the 2.1 required just to sustain the population. This statistic – and growing evidence that working women are either unwilling or unable to combine careers with large numbers of children – has so worried the Belgian employment minister that he has announced a number of new measures aimed at easing the domestic pressures on double income parents.

The situation is even more serious in neighbouring Luxembourg where the fertility rate is just 1.45 children per woman per lifetime and where deaths actually outnumber births by 1,000 a year (not insignificant set against the indigenous population of less than 300,000). The Government of the Grand Duchy now sends the parents of each new Luxembourg baby a gift ranging from LuxFr15,000 to LuxFr40,000 for the first four children.

Money for your life

From Page I

which there is his agent's commission which can be as high as 15 per cent. In the case of Holroyd's Shaw the initial advance of £650,000 for the British Commonwealth Book Rights not only includes the three volumes of the Life itself but also two further volumes, a Companion to the Life and a Companion to the Works. Even so it is good money. But is it enough to allow the author to give up a steady job and to do biography full-time?

Brenda Maddox did precisely that when she resigned from *The Economist* to write the life of Nora Joyce and found she had doubled her salary. Another good example instance is David Sweetman, *who at the age of 45 gave up* his job as television arts producer at the BBC, having previously ghosted autobiographies of Zeffirelli and Callas's sister. He went to John Curtis, formerly his editor at Weidenfeld, to discuss his intention of going free-lance. They cast around for a suitable biographical subject and lighted upon Vincent Van Gogh later discovering there was a centenary coming up this year. The result is *The Love of Many Things: A Life of Vincent Van Gogh*, which appears in June, the advance sales of which have amply compensated Sweetman for his monthly payslip from the BBC.

If there are substantial sums to be made out of literary biography by some authors, what is in it for the publisher? What are the dividends to be had out of the complex game of poker in which the ante is continually being upped to entice authors away from rival houses and the venue shifts between London, New York and Frankfurt?

The trump-card in play at present is the late Richard Ellmann's biography of Oscar Wilde. In this case the author was an academic, the first American to be appointed Goldsmith's professor of English at Oxford, a man of impeccable scholarship but known to have a style of unpedantic readability through previous work on Yeats and Joyce. The biography, long in the making, was intended for an academic press, probably the Oxford University Press, but then somehow it came on the market at Frankfurt and there was an auction. Sinclair-Stevenson secured it for Hamish Hamilton – of which he was then chairman – at £85,000 without having read a word of it.

It proved an excellent buy. A respectable sale for a literary biography in hardback in its first year in the UK is between 3,000 and 5,000 copies; an outstanding sale is between 15,000 and 20,000. If a book does that the publisher says he has a best-seller. We might expect Holmes's Coleridge – published at the end of last year, with delirious reviews, several book of the year choices, and now the Whitbread prize – to break though that barrier by the end of this year, say between 22,000 and 25,000.

Wilde was published in October 1987 at the clever price of £15. It subscribed – that is, copies taken up by booksellers before publication – 28,477 and by the end of the year it had sold 57,608, and by the middle of January this year it had sold 74,350. Out of that figure 881 copies were sold at the current price of £17.50 *after* the publication of the Penguin edition at £7.50 in September 1988, which up to now has sold more than 100,000 copies.

Publishers of long experience, not least Sinclair-Stevenson, are baffled in trying to account for these splendid figures. True it is an excellent book, appreciatively *reviewed* and well timed for the Christmas market, but so were others that have not done nearly so well. Pichois's Baudelaire, translated from the French, has not made 1,000 copies. Do we have in Wilde's sales an example of a double sympathy vote, one for the author who died just before publication, and the other for the subject, so cruelly treated by British justice?

More to the point perhaps is the further question prompted by the book's commercial success – is this a one-off phenomenon, or could such a sale be repeated by other literary biographies yet to be written? Many of the wisest heads in British publishing are currently addressing this intriguing problem.

■ ■ ■

■ Markus Hess, the West German computer hacker featured in the Weekend FT front page article last week, was convicted with two others on Thursday on charges of selling *information from Western military* bases to the Soviet secret service.

Hess, aged 28, Dirk Brzezinski, aged 30 and Peter Carl, a former casino croupier aged 35, were given suspended prison sentences of between 14 months and two years by a regional court at Celle near Hanover after being found guilty of espionage.

Hess and Brzezinski, operating with a home computer from Hanover, plugged into a network of US military and academic computers, guessing passwords and appropriating scientists' accounts. They used the global telecommunications network to connect from one system to the next and even managed to trick the computer, owned by a US military contractor, into paying for the calls.

Carl acted as the courier to East Berlin, where he sold information called up over the wires to a KGB agent named "Sergei" for a total of D-Mark 90,000 (£31,700). Karl Koch, a fourth man involved in the charges, poured petrol over himself and burned to death in a wood last May.

All four were arrested last March after Clifford Stoll, a computer manager at the Lawrence Berkeley Laboratory, California was alerted to a hacker by a 75 cents discrepancy in the account of one of the users' accounts. He spent a year tracing and finally trapping the hackers.

WEEKEND FT SPECIAL REPORT – LANGUAGE COURSES

Linguistic illiterates no longer?

*Britons are being pressured to brush up their language skills, reports **David Thomas***

THE BRITISH will shed their well-deserved reputation as Europe's linguistic illiterates sometime during the 1990s – at least, that is what many business people, Government officials and foreign language teachers fervently hope. The rest of us would be wise to be a mite more sceptical.

For the first time in decades, Britons' traditional insouciance about their inability to speak foreign languages is turning to concern. "Sorry, old boy, I never was any good at languages" is giving way to hard graft. Language courses for executives to brush up, or even simply to acquire, elementary language skills, are becoming a growth industry.

The roots of this activity are not difficult to discern. The programme of completing the internal European market in 1992, together with the crumbling of the barriers in Eastern Europe, are removing the remaining doubts that Britain's future lies in Europe.

The emergence of English as the universal business language may, paradoxically, be reinforcing the growing neurosis among British executives about their ignorance of foreign languages. For if even senior executives in France – traditionally the other country with a culture arrogant enough to believe it can afford to be monoglot – now speak fluent English, then British feebleness in not being able to master languages is thrown into even starker relief.

Government Ministers have caught this mood. "The onset of 1992 and the single market, and government policy to strengthen and diversify language teaching, offer a considerable challenge to us all to develop . . . a greater spread and proficiency in our foreign language learning," Angela Rumbold, Education Minister, said last year in one of innumerable pep talks on the subject.

Yet the rhetoric about Britain becoming more linguistically attuned has to be set against some worrying trends in the schools which are charged with producing the next generation of young British workers. Consider, for example, a little-noticed paragraph in the report on London's schools published by the chief inspector of the Inner London Education Authority last November. In 1988 alone, 12 of London's state schools phased out German (a 19 per cent cut in the number of schools offering German); nine schools phased out Spanish (a 16 per cent cut); and five schools phased out Italian (a 27 per cent cut).

"Russian, which was once taught in 30 Ilea schools, is now taught in only three," London's chief inspector added in a despairing comment.

London is not alone. One half of all children in English schools abandon languages at 14, having taken up the struggle only three years earlier. The chief inspector of schools for England and Wales highlighted the complete inadequacy of the numbers persevering with a foreign language in his annual report published last month.

Moreover, the great majority of those who plod on with a language have to study French. German is the only other language which registers at all strongly on the school timetables. And even the figures for French, the one language that many Britons can make a stab at, are not reassuring: in 1988, only 16 per cent of school leavers managed an O level pass or equivalent in the language of Britain's largest neighbour – almost exactly the same figure as in 1970.

There are some more positive trends. The teaching of more exotic languages (to English ears) like Japanese is on the increase in British schools, although from an abysmally low base. A survey a year ago found 27 schools teaching Japanese; in the mid-1980s, the number could be counted on one hand. But even this good news is double-edged, since most of the growth in languages such as Japanese and Arabic has been in the private sector of education.

Hopes for a great leap forward in language teaching rest on the new national curriculum, now being phased into state schools in England and Wales. It will require all 11- to 16-year-olds to study a foreign language for the first time. Ministers have repeatedly claimed that this will encourage languages largely neglected by British schools, such as Spanish and Russian, and sharpen up the linguistic skills of all young people in the run-up to 1992. Foreign language teachers, unused to this degree of political attention, have mainly echoed this message.

But the message is at best wishful thinking and at worst propaganda, as even the most cursory consideration of the national curriculum shows. It simply requires all state secondary schools in England and Wales to teach a European Community language to 11- to 16-year-olds. This requirement can be satisfied by a school teaching no language but French. Moreover, schools will be able to offer 14- to 16-year-olds slimmed-down foreign language (read French) courses not leading to the 16+ GCSE exam without breaching the national curriculum, John MacGregor, Education Secretary, announced last month.

This move to soften the demands of the national curriculum means that many children – probably a majority – will study a language after the age of 14 for no more than two to three periods a week. It is not difficult to imagine how feeble their grasp of a foreign language will be on emerging from school. The idea that it will do anything for Britain's competitiveness in Europe post-1992 is questionable.

Perhaps the key issue is whether more pupils can be persuaded to study foreign languages in the sixth form. The new GCSE exam, sat for the first time in 1988, produced a marked increase in the number of candidates achieving high grades in foreign languages. Language teachers attributed this to the stress on oral skills in the new exam, reinforcing a trend away from the traditional emphasis on reading and writing in language teaching. More sceptical observers wondered whether the results stemmed from a lowering of standards, but the hope on all sides is that it will boost the study of languages in the sixth form.

Yet the fact remains that Britain is one of the few industrialised countries where 16- to 18-year-olds can drop all foreign languages. An opportunity to change this has been lost, thanks to the resolute refusal of the Government to abolish the anachronistic 18-plus A level examination. However, MacGregor showed that he was prepared to tackle the problem in another way by announcing last year plans to require all sixth form students to study certain core themes, including languages.

What this will mean in practice has yet to be fleshed out. But it will not have any impact before 1992. The signs are that even in the next century many young busines people will have to resort to language schools to acquire linguistic skills – because they still will not have done so in their years of compulsory education.

Ashley Ashwood

Clive Smith, left, and Gordon Brooks, two of the three potential British cosmonauts on the Juno space mission, practice their Russian with Tanya Coleman of Linguarama

Home from homework

"I HAD 14 very instructive days in Moscow." So writes Malene Nielsen to the International College Centre in Denmark, after a language course arranged by the Margate-based Home Language Lessons. She was the first student placed in the USSR by HLL and reported to HLL's Peter Darby on her experience.

The "home" bit of HLL means that you actually move into somebody's house abroad and learn there. Nielsen writes: "I had three lessons a day. Every day we went through a subject, for example, ordinary days of life, transport, food, hobbies, etc. I got gradually trained in a new and very useful vocabulary, because there are so many terms of speech and expressions which you cannot learn from books."

Nielsen, who is Danish, goes on: "My teacher, who I stayed with, was very eager to speak with me. In the evening we often watched the news and a film of Pushkin. I saw the apartments, the schools, the local Poly-Clinic and everything which surrounds the Russians everyday. I saw all their world-renowned tourist attractions – the Kremlin, the Mausoleum of Lenin, Red Square etc."

I quote this pretty well as it is written just to show the many options for learning languages these days. As we read the words of a Danish girl studying in Russia through the offices of a British agency, British embryo astronauts, standbys for a future Soviet space mission, are learning what can only be called "astro-Russian" at Linguarama's comfortably placed centre just around the corner from Carnaby Street, London.

One organisation that seems to offer language learning from the grass roots is the Cambridge Language and Activity Courses, which specialises in English or French for 10- to 18-year-olds. Elfrida Heath, its course director, can be contacted on 0223-351547.

Alan Forrest

Opening a window on a wider world

TRAVELLING IN a country where one can't speak the language is like seeing the countryside through a window: it's in full view but you can't get at it.

Even leaving aside the practical advantages of being able to communicate in a foreign country, speaking another language means access, insight, a direct key to culture which is only partially obtainable through translation.

No-one imagines you can master a new language in two or three weeks. But you can certainly learn enough to help you communicate in simple situations, and perhaps begin to "tune in" to the society which surrounds you.

In a market as wide as the world, with choice limited largely by your tastes and your pocket, it's useful to have some professional guidance as to what is available and where. Katherine Brand runs Cultural and Educational Services Abroad (CESA). From an impressive knowledge of the market, she is able to provide information about courses, where to find the most appropriate balance between tuition and leisure, what kind of accommodation will best suit your needs and so on. Once your choice is made, she will make the bookings and can help with visas, travel arrangements and insurance.

If you'd like some serious tuition in French combined with a holiday on the Côte d'Azur, for example, you can't do better than the ELFCA institute at Hyères. Students study general French, using a wide variety of modern techniques, for four hours each morning in small groups of similar ability. The rest of the day can be spent swimming, sun-bathing, wind-surfing, exploring the picturesque 12th century Old Town, or sitting in a café over a Pernod.

If your choice is for total immersion in French culture, you will probably enjoy staying with a host-family. Alternatively, accommodation can be arranged in furnished studios and apartments in the town, or you may prefer to stay in an hotel. Tuition and half board accommodation with a host-family costs £210 per week.

The gold-green landscape of Tuscany is one of Italy's most popular regions for holiday learning. Katherine Brand recommends the Centro Linguistico Italiano "Dante Alighieri," housed in a magnificently frescoed 17th century palazzo in the heart of the medieval city of Siena. "It's Italian run, the classes are small and the atmosphere is more intimate," she says. Prices for tuition are quoted in sterling, but the cost of your accommodation is paid in lire.

Eurocentres, a non-profitmaking foundation with headquarters in Zurich, has a school in the Palazzo Guadagni in Florence, and offers holiday courses as a sterling package which include 20-25 hours' tuition a week and accommodation with Italian families. A three week course costs £606.

If you have a yen for somewhere more exotic, you could join Eurocentres' course in Kanazawa City, Ishikawa, Japan. Mornings are devoted to listening and speaking skills, and a study of the written language, while in the afternoons, there are lectures and visits introducing aspects of Japanese life, with excursions at weekends to cultural events, folk festivals, temples and the surrounding countryside. Participants praise the meticulous preparation of the course, and the kindness of their Japanese host families. The cost for four weeks is £1,068 excluding travel and excursions.

If you would like to learn a wider Russian vocabulary than *glasnost* and *perestroika*, Home Language International organises one-to-one tuition in Moscow and Leningrad, in the homes of Russian tutor-hosts. "Accommodation is not luxurious," reports Katherine Brand, "but the Russians compensate by giving foreign visitors a warm welcome. They are hospitable and courteous, and only too willing to introduce visitors to their friends and relations."

Brand sees a growth in the provision of language tuition in eastern Europe. "I think East Germany will be a good place to go in future, especially for one to one tuition, which is expensive in the West."

Israel has a sophisticated network of language teaching, much of it geared towards new immigrants. But shorter, holiday courses can introduce visitors to aspects of Israeli life in a fascinating, if demanding, way. *Kibbutz ulpanim* divide the day into four-hour morning sessions of language tuition and four hours' work on the kibbutz, the distinctive Israeli version of the farm collective. Best suited to the young and energetic, *kibbutz ulpanim* put you in contact with the land and culture of Israel in a direct sense.

When Samuel Johnson spoke of language as "the dress of thought," he had English in mind. But learning another language could enrich your holiday experience far beyond a glimpse of the crowded Parthenon.

Useful addresses:

Cultural and Educational Services Abroad, 44 Sydney Street, Brighton, Sussex, BN1 4EP. Telephone: 0273-683304

Eurocentres, Seestrasse 247, CH-8038 Zurich, Switzerland. Telephone: 01-482-5040.

Marilyn Bentley

WEEKEND FT SPECIAL REPORT – LANGUAGE COURSES

English: a language for all seasons

***Marilyn Bentley** on the growth of an 'international tongue'*

THE DEMAND for English language teaching has never been greater. While the approach of the single European market in 1992 has concentrated awareness of the need for native English speakers to learn foreign languages, English remains the language of international politics, the air and sea, the media, science and technology; and the global players in the world economy look to English as the linguistic currency of international business and trade.

The teaching of English is also "a nice little earner." According to the Economist Intelligence Unit's 1989 report *English: A World Commodity*, it contributes some £1bn to the UK's invisible earnings. The first English Language Fair and conference, to be held at the Institute of Education in London on February 24 and 25, will offer an opportunity to review some of the courses, publications, specialist services and products currently available in language training.

There is a huge provision of teaching in the UK. But choosing isn't always easy. The sector is substantially unregulated. Anyone can set up a language school, and although there are recognised English language teaching qualifications, proprietors are not constrained to employ staff who hold them. Nor are they obliged to subject their arrangements for accommodation and the supervision of their students to independent inspection. Recognition by the British Council's accreditation scheme gives some guarantee of a school's quality, but registration is voluntary and there are institutions outside the scheme who may provide suitable teaching.

Arels-Felco, a non-profit-making body, supplies a list of accredited schools with details of the courses and facilities which they offer. It is a useful starting point, especially at the cheaper end of the market, where Richard Livingston, Arels-Felco general secretary, is concerned at what he sees as the "bangers and mash image" of British schools abroad. He argues for greater regulation, on economic as well as educational grounds. "We are in competition with providers in the US and Australia, and our market share will shrink unless we have higher standards."

Reputation and personal recommendation are often the best indicators for the business client. Many multinational companies have built up relationships with particular schools which are able to tailor courses to meet their specific needs. The Linguarama Group has an impressive international client base including Deutsche Bank, Shell, Michelin and BMW. Its courses range from executive group classes in Stratford Upon Avon, where students stay with selected English families, to one-to-one training at the company's newest residential centre at Cheney Court, near Bath.

Linguarama's Cheney Court: top of the pile

This handsome Jacobean mansion welcomes residents with open fires and the atmosphere of an informal country house party. But gracious as are the surroundings, one glance at the teaching schedule is enough to dispel any impression that students are here for casual conversation and cocktails.

An initial interview establishes the student's fluency in English and his particular needs; report writing, presentations, meetings and so on. The course is then tailored to achieve maximum progress. Work begins at 9 am with individual tuition, lesson-related assignments and self-study, and concludes at 6.15 pm, when dinner and various social activities give the opportunity to continue practising English in informal circumstances.

> *'Reputation and personal recommendation are the best indicators for business clients'*

I joined some of Cheney Court's students on a visit to a local pub. While some were initiated into the mysteries of darts, and others to those of English beer, we discussed the course and their motivation.

Tamas Erdei, of the Hungarian Foreign Trade Bank, sees fluency in English as vital in the face of the growing number of joint ventures between British and Hungarian companies, and Eastern Europe's developing trade links with the West. Ricardo Alonso's work with the computer and organisational department of Banco de Santander requires him to travel widely and communicate socially, as well as over technical matters, with other employees. He has no difficulty reading a technical manual in English, but chatting over a drink is another matter. The intensive training at Cheney Court will develop his fluency and confidence. Adelia Torti, from Genoa, is the media and advertising manager for a firm of domestic detergent manufacturers whose multinational subsidiaries use English as their common language. "After this course I will probably work not only in Italy but in other parts of the group. Our European subsidiaries all use English."

Of the students I met, 50 per cent were German, reflecting Linguarama's client base, but also the importance that German multinationals attach to language skills. At £1,695 per week, Cheney Court is probably the most expensive English course in the country. "The future is in quality provision," says Geoff Monaghan, Linguarama's assistant general manager. "Companies like BMW and Deutsche Bank do not make training investments lightly, and their commitment to our residential concept is clear."

Hans-Werner Butz, a German management consultant, is paying for his own three week course at Cheney Court. He is convinced by Linguarama's methods. "Here, everything is in one place, with no distractions. You speak English, you hear it, 24 hours a day. And there is a very pleasant atmosphere." He is sure of his aim. "To speak more fluently, with fewer mistakes. And to be able to read the *Financial Times*."

A good case for home study

***Melanie Cable-Alexander** tunes in to language learning on the move*

BE WARNED: that man in the striped suit you see walking down the road carrying a big black briefcase is armed with a Listening Robo L2. It is tucked into a specially designed compartment and in its briefcase disguise it looks harmless. But once activated the L2 becomes a fearsome marketing weapon with which this man can annihilate even the most aggressive of his opposition in the race to cross the Channel's frontiers – or so its makers say.

The L2, codenamed the Minilab System, is the Rolls Royce of the self-study cassette courses, consisting of a tape recorder, a headset, a microphone, eight cassettes and three books. Made by Linguaphone, it is designed to give the businessman an extensive vocabulary of up to 2,000 words in another language in as little as three months.

But is it really necessary to aim for the biggest and the best when you can buy a run-around package – or even tune into the radio – for less than half the price?

Learning a language using cassettes is already well established. But the prospect of a single European market in 1992 has rekindled the interest in self-study cassettes in the drive to persuade the British to develop another language.

The Department of Trade and Industry has recently set up a campaign to give top priority to languages. The Government's education policy requires the compulsory learning of a second language up to the age of 16 in the new curriculum. Advertisements are beginning to appear in French, Italian, Spanish or German. Everywhere the British businessman looks he is put at a disadvantage if he does not at least have the most basic understanding of another language.

The advantages of learning a language by cassette are that you can do it home, in your own time and in privacy. (According to Karina Mellinger from Linguaphone many businessmen are shy of tentatively bringing out their first words in a foreign language in public.) You are also able to learn a language at your own pace, selecting the areas that interest you most, at will, without an ominous instructress ticking you off if your mind begins to wander . . .

However, the disadvantages are that it requires a certain amount of self-discipline and self-motivation. You have to make sure you set aside time to do your coursework, and it is easy to create excuses to avoid it. The Minilab, with its daunting display of books and cassettes, is perhaps the most offputting of the products for self-study as there is so much to come to grips with. And do businessmen really want to carry another bulky briefcase around?

The Minilab costs £554.20 (including p&p) and is available in 10 different languages from the Linguaphone Institute, St Giles House, 50 Poland Street, London W1V 4AX. It has a two-way taping system so you can compare your voice on the machine with the carefully articulated accents of the specialist. There are exercise books for you to practise your grammar and writing, and if you get really bored with the discipline of working through the text books there's also the foreign language version of Trivial Pursuit, Scrabble or Monopoly at an additional cost of £29.95, £8.99 and £15.95 respectively.

Learning languages the Linguaphone way is the nearest one can get to a school room, text-book style atmosphere in your own living room. Linguaphone is keen to cover all the intricacies of grammar, believing, says Karina Mellinger, that "without that initial grounding it makes speaking the language more difficult later on." It is the most ambitious of the self-study courses and once (and if) completed you will possess a comprehensive knowledge of your chosen language.

However, there is a different, and newer, school of thought that feels that the best way to learn a language is not to adopt a schoolroom approach like Linguaphone but to throw the listener "in at the deep end" and mimic the processes of picking up a language by visiting another country for the first time.

The Macmillan Breakthrough series (Globe Education, Houndmills, Basingstoke, Hants, RG21 2XS. Tel. 0256-29242) offers just such a course in French, German, Greek, Italian and Spanish, and at £29.95 it is considerably cheaper than the Minilab. It begins by giving the listener simple real-life conversations taped on location. The listener is expected to join in, respond and develop a feel for the language and the confidence to speak it at a very early stage. Once that is achieved then the course takes you back to the textbooks for lessons in grammar. With only three cassettes and one book to follow it provides a portable self-study system that is perhaps more accessible and less daunting than the Minilab.

Jane Lewis, a nurse from Sussex, is a Breakthrough student. She decided to learn another language because she and her husband had bought a house in France, speculating – like many others – on booming property prices in 1992. She opted for the Breakthrough French series because it was cheap, and seemed quick and easy to learn. "I taught myself," she said, "on the way to work in the car, which caused many a loopy grin from fellow drivers. It was fun and I learnt quite a lot. But it became more of a problem to find time to study when I had to use the textbook later on in the course."

Most bookshops sell cassette language courses, ranging from the Breakthrough Series to Hugo's Simplified Language Courses (£30). There are also travel pack systems available such as Longman's Survive Travel Pack (£9.99), designed purely for a short holiday or business trip abroad. These give you information on how to find a bank, a car breakdown service or an easy guide to translating menus and telephone systems. You can simply switch these on while doing your household chores or driving a few weeks before you go away.

The BBC provides one of the most comprehensive self-study courses, providing a cassette and video service that brings a country orally and visually to life. The videos are filmed on location and offer real-life sequences that portray and make accessible the culture and vitality of a European community. At £149 these courses, in French, Italian, German, Spanish and soon Russian (at £500) are designed to bring the student up to an easy conversational level. But if your chief priority is portability then this course has its limitations, as it is inevitably tied to a television screen. Available from BBC Education & Training Sales, PO Box 77, Wetherby, W. Yorks LS23 7HN.

COUNTRY PROPERTY

INTERNATIONAL PROPERTY

PROPERTY

A cautionary tale

THE SWISS Government is being accused of xenophobia by hundreds of people who face the expropriation, without compensation, of their property.

"I was worried about Communism then and wanted to get money out. Now 16 years afterwards I am a victim, with others, of Swiss xenophobia." Giorgio Emo can barely contain his anger at a decision by the Swiss Supreme Court last October which faces him with the expropriation without compensation of his SFr600,000 (£238,000) luxury apartment at Celerina, near St Moritz.

His is a cautionary tale which could yet cause more than a little upset for Italian and other owners of around 500 apartments in Switzerland who purchased their property under the cover of specially constituted companies. Because the nominal owner of Emo's apartment building, a Swiss notary, declared in the past that none of the owners of the company were foreign residents, the Swiss courts have held that the company was set up for an illegal purpose and have confiscated its assets. These consist of 10 apartments which will be auctioned later this year without compensation to the owners.

Emo acknowledges that he and the other owners were in technical default of Swiss law, but he claims that the punishment far exceeds the crime and is more an expression of Switzerland's "hatred of foreigners" than an attempt to mete out justice.

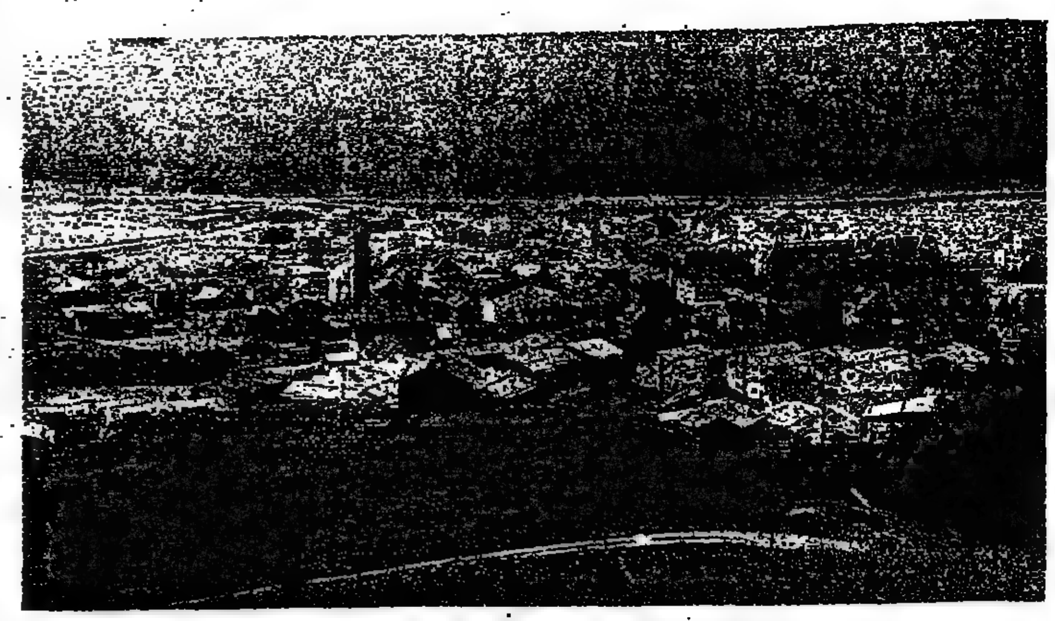
With the national Communist Party apparently growing in strength and influence, the lira constantly being devalued and the country wracked by terrorism, many Italians illegally exported capital during the 1970s. This was the era of covert Alpine border crossings with suitcases full of banknotes for deposit in Swiss banks or for conversion into solid assets like apartments.

Unfortunately, Emo, in common with many others, did not avail himself of an Italian amnesty in 1976 which would have permitted him to declare his capital transfer and to regularise his property ownership in Switzerland. He says that he was unaware of a much more recent Swiss amnesty which encouraged clandestine foreign owners of property to declare themselves.

The appeal by the nominal owner of Emo's property to the Supreme Court argued that the conviction on the grounds that his company was set up for an illegal purpose was wholly incorrect. He claimed that the authorities in the Celerina area had been authorising such property companies to sell apartments to Swiss citizens or foreigners resident in Switzerland in return for payment of an indemnity to the canton. The companies themselves were not required to be wound-up. The argument proved to be of no avail and Emo and his fellow owners now face the loss of their properties.

No doubt the Swiss authorities believe they have given him and other similar unfortunates every chance to put themselves inside the law, although at the cost of being forced to sell their apartments. Then, they would at least have had the proceeds. An indisputable case, it would seem, of *caveat emptor*.

John Wyles



The valley of Celerina: foreign-owned property expropriated

Market peaks and troughs

IF THE average first time home buyer in London wanted to make a bid for the single most expensive house on offer in the capital, they'd need to find a lender willing to provide an income multiple of 504 times their salary. That puts the £12.5m being asked for a vast, 14,000 sq foot mansion in Upper Phillimore Gardens, W8, about 200 times beyond the reach of those first timers, whose average household income is now £24,800.

Just to sharpen the definition between the top and bottom of the market, that salary threshold (worked out by the London Research Centre in its latest quarterly survey of the capital's housing market) puts home buying beyond the reach of 80 per cent of full time working women and 55 per cent of working men in London, even after the past year's average 10 per cent drop in achieved sales prices across London.

That is a million-plus working Londoners below the purchase threshold. They will be looking with interest to the new generation of equity share and part purchase schemes being created to break the sales stalemate caused by high interest rates on debt-only purchases.

They may well also be looking open-mouthed at the recent £10m-plus purchase of a house in Eaton Square by the songwriter Andrew Lloyd Webber and that £12.5m Kensington giant in Upper Phillimore Gardens.

Not that things are easy at the summit of the housing market either. There the problem is one of choice. The few executive jet loads of buyers capable of bidding for the most expensive London homes are having a tough time deciding whether London is still a suitable place for a second, third, or fourth home. As Sotheby's director, and chairman of the group's International Realty operation Bill Montgomery reports, "the perception among the very rich is that Paris is likely to become the social capital of Europe in the next few years."

A castle in Ireland is also a fashionable alternative. Marbella and the Algarve are, it seems, distinctly passe. London, however, does retain its appeal because of the comparative security and the distinction of being one of the few major capital cities that still has full-scale houses in the centre. Hence the steady queue of prospective buyers around the Upper Phillimore Gardens house where, as agent Roger Slater says, "Prices are relative; if you are lobbing out umpteen million for a painting, a house at this price level doesn't look so expensive."

John Brennan

LONDON PROPERTY

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"Flat buyers snap up 50-50 deal."

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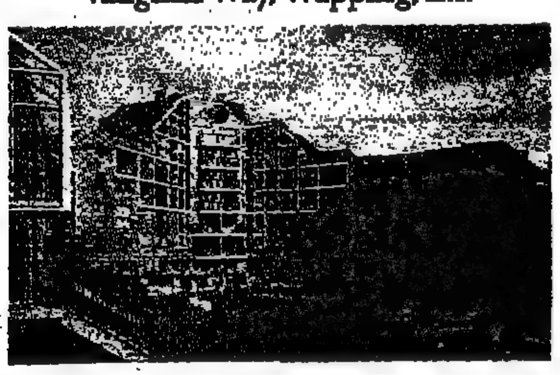

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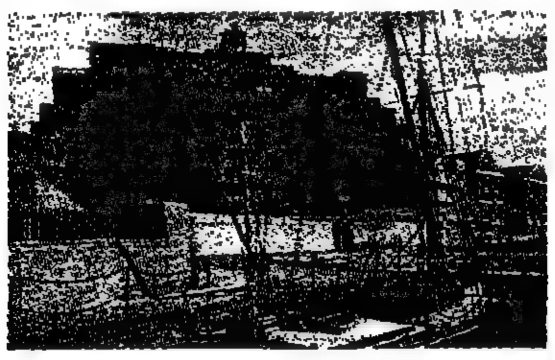

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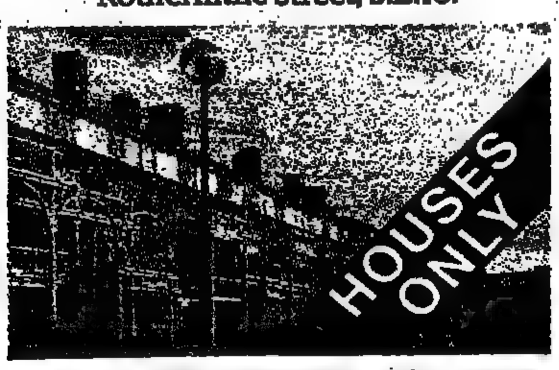

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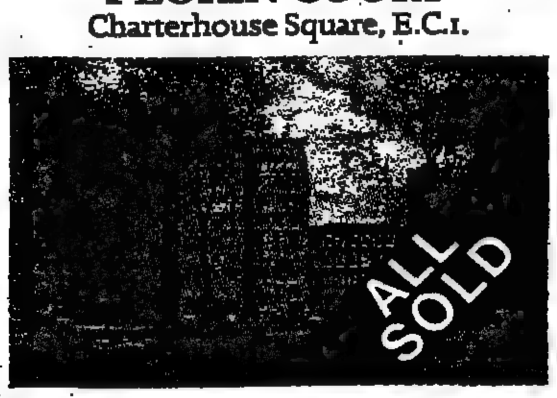

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LONDON PROPERTY

DESPATCHES


Paolo de Paolo

A modern banana republic

***Robert Graham** visits Honduras, a country struggling to lose its old image*

A TROPICAL downpour advances across the Sula Valley in Northern Honduras, forming an opaque cloud like a pot of ink spilled on drawing paper. "Ideal weather for bananas," Eduardo Arragon says approvingly. "Bananas need lots of heat and water," he adds as if apologising for the insufferable climate in which such a commonly consumed fruit is produced.

Temperatures in the Sula Valley rarely fall below 25 degrees and constant humidity induces a sweaty lassitude. During the rainy season humidity levels are so high that banana leaves decompose within two weeks on the ground.

Such a backdrop of lazy tropical heat easily conjures up the image of a Banana Republic. Typically, this was a nameless country presided over by a corrupt cigar-smoking ruler in a white suit, or bemedalled uniform, in the pay of unscrupulous foreign businessmen. More often than not the nameless country was modelled on Honduras and the businessmen were from the banana companies.

Honduras has struggled hard to live down the Banana Republic label and the banana companies have distanced themselves from the bad old days when they rode roughshod over governments. But bananas are still the country's life blood and the multi-national banana companies are very much alive and well. Their presence has proved extraordinarily durable in a region where anti-Americanism has been synonymous with nationalism.

From Colombia to the Dominican Republic and throughout Central America, Aragon has spent 43 years working for The Company. In this part of Honduras the company needs no introduction. The Tela Railroad Company was founded in 1912 as the local subsidiary of the Boston-based United Fruit Company – its mighty banana empire began at the turn of the century. This is now controlled by the US conglomerate United Brands which accounts for more than a quarter of world banana sales.

"The company has been around a long time and we hope it will stay that way," says Arragon, who handles the delicate matter of relations with the Honduran Government in an elder statesman role.

To a surprising degree the banana companies have preserved their identities even after being absorbed into conglomerates. United's traditional US rival, Standard Fruit, is now part of David Murdoch's Castle and Cook, and last year the smaller Del Monte acquired a new owner in the form of the Turkish Cypriot Asil Nadir's *Polly Peck*.

In Central America, the principal area of operations, they have weathered a bewildering variety of political controversies and economic storms to stake a claim today to being an integral part of the fabric of these societies. Nationalist sentiment against the banana companies peaked in the Seventies and since the onset of the debt crisis has even been rolled back. Impoverished Honduras but also wealthier Costa Rica, Guatemala and Panama now desperately need their taxes, their local spending and export earnings, their expertise and the imprimateur of their investment presence.

In Honduras, their landholdings have been reduced to a fraction of the original and they no longer control the railways, the construction of which was linked to their original concessions. But they still possess sizeable plantations in a region where land and American interventionism are the most emotive issues. The three companies – though principally United and Standard – remain the biggest single employers, account for as much as a fifth of national income and generate more than 40 per cent of exports. Standard also produces citrus, pineapples, sugar and various *bye-products from African palm oil* plantations as well as owning a brewery. United has concentrated on developing as much local production of the materials needed for the banana business; but also has a large African palm oil operation.

Conscious of being guests on foreign soil rather than the makers and breakers of governments they once were, the companies move behind a wall of well constructed PR. "Of course, you can't deny the past; but we believe we now have a more positive image," says Robert Dearth, Jr, a United Brands vice-president.

The banana companies, obsessed by the risk of dealing in a perishable commodity, earned a well-justified reputation for ruthlessness. An A notorious instance of a company's effect on government was the Bananagate scandal of 1974. This followed the revelation that United had paid part of a $2.5m bribe to the Honduran Finance Minister to ensure a sharp cut in export taxes. The banana-producing countries had raised the export tax on each box of bananas – bananas are exported in 40lb boxes – as part of an attempt to create a common front against the fruit companies (essentially United, Standard and Del Monte). When the bribe was *revealed, it provoked the overthrow* of the military government in Honduras and this in turn led to the nationalisation of United's railroads along with a major divestiture of land by the companies.

As for United, the bribe scandal was a contributory factor in the then president, Eli Black, committing suicide. He smashed the window of his 44th floor office in New York and jumped to his death.

The banana business evolved in a way that inevitably placed great power in the hands of the foreign companies, and this created an equally great temptation to use such power to protect their own interests. Large-scale exploitation was stimulated by the profitability of speculative imports from the Caribbean and Central America to the US East Coast in the 1880s. Boston traders found a huge demand. "Bananas are nature's finest convenience food. It was a convenience food before we really knew what convenience food was," says Dearth.

US entrepreneurs set about finding plantation sites first in Colombia, Costa Rica and Panama. Here they encountered natural partners among pioneering *figures such as* Minor Keith, a railroad builder who constructed the rail link between San Jose and Costa Rica's Caribbean coast in 1884. Keith subsequently helped found United Fruit in 1899. Standard had been formed a year earlier.

Dirt poor governments like that of Honduras were easily persuaded to grant large areas of virgin land against the promise of having railway networks built. But it was not simply a case of foreign capital dictating its own terms to exploit a new industry at the expense of local entrepreneurs. The coffee industry required broadly similar scales of investment and parallel risks; yet coffee production remained in the hands of local capital.

"The reason, one suspects, was as follows," writes Dr Victor Bulmer Thomas in *The Political Economy of Central America since 1920*: "Banana production was confined to the unhealthy Atlantic coast and national control would have meant the migration of both owners and workers to the area. Owners of coffee fincas had no interest in such a move and potential capitalists found highland coffee a much more attractive proposition."

The Spanish colonialists had indeed avoided large-scale settlement of the entire Central American Caribbean coast because it was malaria infested and apparently lacked resources potential. Traditionally, British influence via Jamaica and Belize, the former British Honduras, had been stronger. British merchants and adventurers who toughed it out rightly baptised this the Mosquito Coast. In Honduras even when the banana industry brought prosperity to the northern coast, those who took advantage were Lebanese and Syrians, *Los Turcos*.

When United and Standard moved in to produce their "Chiquita" and "Dole" brands, the lack of infrastructure obliged them to create a semi-independent enclave, which was virtually cut off from the populated highland interior of Honduras. Everything was done from scratch. Beginning with clearing the jungle and draining swamps, they then established a complex infrastructure of bridges, flood banks, roads, railways, telecommunications, ports and warehouses. Labour had to be brought initially from Jamaica. The townships built by the companies followed the rationale of plantation and port locations. Thus today's infrastructure and urban development in Northern Honduras has been either wholly theirs or built on what they initiated.

Expatriates such as Karl Koch, general manager of Tela Railroad, seem more at home in the world of a Conrad novel than modern corporate politics. His life has been dedicated to running foreign enclaves in hostile environments for distant owners.

He is now responsible for 11,200 employees and indirectly for 54,000 of their dependents who have access to the company's 33 primary schools and 300 bed hospital at the head-quarters in La Lima.

La Lima itself, with a population of more than 5,000 was run by Tela Railroad until 1980, when it was handed over to municipal authorities." Gone to the dogs since then," a long-time company employee observed nostalgically.

The amount of land devoted to bananas in Honduras has remained roughly the same in recent years, but the growing process has evolved substantially. New varieties have been introduced to combat disease. The most feared disease is Black Sagatoka – carried by spores on the wind and which attacks the leaves. The use of insecticides is constantly being reassessed. Clyde Stephens, an entomologist who runs Tela Railroad's agricultural research, has introduced a new approach of minimal use of pesticides. He argues that the production loss caused by insects is more than compensated by the naturally beneficial activity of insects and the savings on crop spraying. Providing disease is avoided, the plantations are kept in continuous production, each tree *yielding 1.3 stems a year*.

Ever since a major strike in 1954, Standard and United have been put onto the defensive by a well-organised trades union movement among the banana workers, the labour aristocracy of Honduras. Multi-national wages and social benefits are worth at least twice those paid anywhere else in the state or private sector. The companies' response to labour militancy has been a gradual divestiture of direct plantation operations to independents.

The appearance of independent producers was encouraged by attempts to 'Honduranise' the industry in the Seventies in the wake of the 'Bananagate' scandal. The independent operations are nearly all either estates bought from the companies and run by former managers, or cooperatives of former company workers on land relinquished by the companies.

More than 50 per cent of Standard's exports from Honduras are now accounted for by independent producers while in the case of United the percentage is one third. High wages have also led the companies to hand over more of the packing operations to the non-unionised independents – a move fiercely but vainly resisted by the unions. The switch of packaging to independents has held costs down. Nevertheless both Standard and United complain Honduras has become a high cost producer for labour as well as for foreign exchange and tax reasons. Hence they are concentrating more attention on Costa Rica. The latter has now easily overtaken Honduras which is responsible for just under 15 per cent of world banana output. Honduran officials are unconvinced by such complaints and still feel the companies play their own games, especially when the declared export value is approximately a third of the final street price.

During the Seventies, the nationalists and the Left in Honduras assumed the stranglehold of the multinationals would be broken if the banana-producing countries presented a united front in raising export taxes and independent producers were encouraged, But the common front on export taxes broke up quickly because of the sharply differing needs of the producing countries.

"We have no illusions about the banana companies: they are here as long as it suits them," comments a member of the Honduran banana workers trades union.

Bob Dearth of United certainly believes the company knows best how to deal with the market it has nurtured over nearly 100 years. "Bananas are the number one selling fresh fruit in the US. Each person consumes 24 pounds a year. Bananas are the number one item in supermarkets and remember they retail an average of 6,000 items. Bananas are also the number one flavour in baby foods." The banana companies look set to stay in business.

MOTORING/GARDENING

The Dacia Duster diesel (above) and Yugo's Sana: cheap and increasingly cheerful

Eastern Europe's other revolution

*New models from Yugoslavia and Romania are impressive and cheap, says **Stuart Marshall***

IN EASTERN Europe, new cars do not have to be sold. Customers queue up, pleading for the chance to buy one. It follows that they are not going to be picky about the kind of things Western customers believe are important, such as precise controls, quiet engines and general refinement. If the brakes are heavy, the steering vague, interiors crude and the mechanicals rough and ready, who cares? Not the east European customer who is overjoyed that the car, on order for so long, has actually arrived.

Some east European cars are so awful they are unsaleable in the West – the smoky, smelly Trabant and the Wartburg from East Germany, for example. The Russian Lada and the Polish FSO, based respectively on the Fiat 124 and 125, are 20 years out of date (although the Lada, especially, finds buyers in the West because it is cheap, rugged and easy to keep running, especially if you know one end of a spanner from the other).

Romania's Dacia saloon is based on the Renault 12, which went out of production in France in the '70s. Although they tried to sell it in the UK, it just wasn't good enough. But Yugoslavian cars derived from the Fiat 127 and 128 have been imported for some years. They sold mainly to people of modest means who could afford either a Metro or Fiesta two or three years old or a brand-new Yugo – and went for the car no-one had driven before.

East European cars are, however, getting much better. That staple of Czechoslovakia's motor industry, the rear-engined Skoda, has been joined by a neat, front-wheel driven Favorit. The latest Lada Samara also has front-wheel drive and could be taken for a higher-off-the-ground Ford Escort. Meanwhile, a new Yugo family car has just appeared in Britain while, in Romania, the Dacia Duster four-wheel drive on/off-road vehicle has become available with a 1.6-litre Renault diesel engine. Each in its own way is impressive – and still cheap.

The Yugo Sana is far and away the best east European car I have driven (although, in fairness, I admit I haven't yet tried the Lada Samara or Skoda Favorit). It is a five-door hatchback styled by ItalDesign's Georgio Giugiaro, whose previous creations include the Fiat Panda and Uno and VW Golf. The Sana looks something like the Fiat Tipo and has the now-classic layout of transverse engine driving the front wheels through a five-speed gearbox, rack-and-pinion steering, and fully-independent suspension. (The Samara and Favorit have, too. I really must get round to driving them soon).

Unfussy and aerodynamic in shape, the Sana has plenty of high-roofed cabin space. The boot is big, too: it took a Hayterette rough-grass mower easily without the rear seat back-rest having to be let down. The cloth-trimmed seats are plump and yielding, just like those in French cars until they had a fit of German firmness a year or so ago. Big windows make for good visibility from the driving seat and reversing is particularly easy.

Controls for front and rear screen-wipers, washers and the lights are unfamiliar but convenient enough once you have got used to them. The heating and de-misting is effective with the noisy fan on full blast. A manual choke is tucked away out of sight and has no warning light; thus, it's easy to forget to push it right in, which does nothing for fuel economy.

The Sana goes well. The Fiat-designed, 1.4-litre, 70-horsepower engine fires immediately from cold and performs without flagging however hard you make it work. Pushed into keeping up with business drivers on the motorway, it used a gallon of unleaded every 30 miles (9.4 l/100 km). Driven more reasonably, consumption dropped to 35 mpg (8.0 l/100 km).

In recent gales and rain storms, I had two long journeys on M4 and M25 motorways. Conditions were appalling. It was like driving through a car wash combined with a wind tunnel, but the Sana neither missed a beat nor put a foot wrong. The ride is shock-absorbent, if occasionally bouncy. The gear-shift is rubbery and can feel a bit sticky unless the heavy clutch is depressed fully.

Cornering is competent and the Jugoslavian Tigar tyres gripped well in the wet. At anything over 15-20 mph (24-32 kmh) the steering is light, although squeezing the Sana into a small parking space can be a struggle. But at £5,495 list, or about £5,850 on the road with a radio/tape player fitted, it is incredibly good value.

The Sana is bigger inside than anything in its price class, well-equipped and nice to look at. The one thing it lacks is finesse – but, at the price, who is complaining?

With the Dacia Duster diesel, again it is the price that raises eyebrows. A compact, three-door, 4x4 estate car with two sets of gears for on- and off-road driving, high ground clearance and a 1.6-litre Renault diesel engine, all for £8,799? It sounds too good to be true.

Across country, it is a marvel. It has independent front suspension which softens up the ride off-road, and an armoured underside so nothing gets broken when it crashes over obstacles.

I tried it on a military proving ground where I have driven all kinds of 4x4s. The Duster went as well as any of them. Mud, deep water and fearsome gradients were taken in its stride. The engine slogged away at low revolutions and, in first gear, low range, provided enough braking effect for descending steep, muddy banks safely.

There are, of course, snags. The Duster is quite slow on the road and, at anything over 60 mph (96 kmh), very noisy. The engine is not to blame because much of the development work on the diesel version was carried out by the British importer. It is a good installation; except when it is idling, the Renault power plant runs smoothly and quietly.

There is a lot of exhaust system vibration along with tyre and wind noise, and the body is not exactly rattle-free. So, the Duster is not a vehicle you would buy to drive for long distances on good roads and, especially, on motorways. The switch-gear is primitive and the steering at low speeds heavy but the seats are deep and soft.

For a user who is on rough tracks as often as hard roads and really needs four-wheel drive traction, the Duster diesel has a lot going for it. On the road, it should do at least 30 mpg (9.4 l/100 km).

The on/off-road, four-wheel drive market has become so extraordinary that it defies logical analysis. In my part of the world, in Kent, few who drive them really need them. Many of the large, fuel-thirsty, on/off-road 4x4s you see are used as normal cars. Rarely, if ever, do they venture off the tarmac.

People who really could exploit the off-road capability of the traditional 4x4 often can't afford to buy or run them. But I could imagine that, say, a hill farmer with an old Land Rover for use on the property, plus an Escort estate for normal driving, might find the Duster diesel ideal for both purposes.

That old greenhouse effect

*After the gales, **Robin Lane Fox** is going for the easy alternative*

THE GALES have left us enough of our greenhouse to force us to repair it and be serious about its future. I suspect that its problems are quite common. It is out of reach of electricity except at a scale of expense and excavation that is quite unacceptable. Its water collects into a large drum because it is not accessible to the main supply. It is quite big and quite old and the door has never fitted closely. It fits even less closely since we turned the entire thing round on its foundations so that the ugliness of its red cedar was no longer visible from the house.

It is, at least, a better prospect than the greenhouse at our previous home. We decided to move that, too, and the rustle of £5 notes that weekend produced the plausible friend of a friend who rubbed Three In One gun oil into the rusted coach bolts and impressed me unduly by sawing off their nuts with a hacksaw from his tool kit. Disassembly, as he put it, is a doddle, but "to recall one's steps and return" – that, like the exit from Virgil's underworld, was more difficult.

We moved the greenhouse in sections down the hill and, because he seemed so competent, we propped them into a self-supporting wigwam to gives us an idea of position while we went back to look for the coach bolts. These, of course, had been cut into pieces; and while I listened to a long Irish re-assurance that, even if we had found them, they would be useless, the wind changed tack. It dismantled the wigwam glass sections, leaving them impaled through each other's panes like that arrangement of cards which allows you to make an imitation aeroplane out of a basic hand at whist. Never move a greenhouse and turn your back on it.

This time, I am abandoning heating and going over entirely to my only successes under glass, alpine plants and bulbs. They are made for a life away from main services. They much prefer rain water; they need no protection against frost; they appreciate slight shading in summer; and they need no power, cables or smelly paraffin.

They are not a poor man's second-best. During the next month, you can see the results for yourself in any major botanic garden: Edinburgh, Wisley, even Kew. Some of their brightest sites are pans of straightforward crocus, scillas and anemones, grown away from wind and rain.

My tactic will be to use metal-framed staging: an economical brand is supplied by post by the Two Wests of Chesterfield, Derbyshire. On it, I will at last have a suitable home for the lumps of porous tufa rock that have been following me round since adolescence.

Tufa rock turns up in good alpine nurseries and is a type of limestone that can be drilled, like an old tooth, and filled with small alpines. They like its cool root runs and will grow into its surface if they are watered and given a light dusting of compost.

With age, tufa turns a pleasant grey or greyish-brown, although its whiteness might alarm you when fresh from a Welsh quarry. It is very light to handle and the rocks make a fertile landscape between which you can lay several inches of soil covered with chippings. Into this, you can partly sink your shallow pans of bulbs and alpines, which can be removed in the hot season or after flowering.

Small bulbs, certainly, last much better in this setting than in the wind and mud of a typical February. I have given up growing most varieties of crocus in flower beds: either I fork them forgetfully in summer or they are consumed happily by mice. They never persist in quantity, whereas six or more in each part under glass flower easily and cleanly and can be brought indoors where they often show off their charming scent.

Outdoors, you never have such value from the fragile forms of Crocus biflorus which look so well with the many shades of Iris reticulata, especially the mid to pale blues. I never realised the beauty of Ipheion Wisley Blue (quite a cheap little bulb) until we tried it in pots under glass. They are twice the plant they seem in flower beds, and you can keep the flowers dirt-free. I recommend them strongly for frames or alpine houses.

Alpines proper often love these surroundings. Like small bulbs, saxifrages frequently are made for the purpose, especially the many Kabschia forms which suffer acutely in our beds outdoors. At eye level, you can appreciate hepaticas and their anemone-like flowers of dark blue and pink, although they hate hot weather and must be stood outdoors during summer.

Anything with furry leaves loves to be sheltered under glass. I have never got over my pleasure at first seeing an alpine house well-stocked with the yellow little Verbascum Letitia, a superbly flowering plant for early summer when the weather has not rotted the plants. Tubular pink flowers of the tufted grey Greek woodruff, Asperulo suburosa, sprawled in hundreds off the staging and the verbascums looked even prettier because of their companion groups of that admirable clear blue phlox called chattahoochee, which never lasts for very long in an open flower bed.

There are three problems to an alpine house: hot weather, insects and cats. The answer to the sun is either to stand the plants (and the rocks, too) outdoors during summer where the air circulates, or else to protect the greenhouse with one of the good shading washes in May. Insects are much trickier and I cannot say there is an easy answer, least of all the breezy "green" alternative of spraying plants with soapy washing-up liquid. The soap does not suit mountain alpines and, in my experience, it never eliminates the enemy.

Cats are another matter. They are a particular bother because an alpine house can spend most of the summer with the door open to reduce the temperature and cats will jump gladly onto a tufa rock landscape. I recommend netting across the doorway and the occasional demonstrative kick at anything four-legged which comes within range.

Still, what form of gardening does not have its hazards? And if you go alpine, at least you stop worrying about power cuts, fuel bills, frost and your own extravagance.

Tommies take a garden by storm

A PRETTY sight in my garden at the moment are the little crocuses called Tommies (from their botanical name, Crocus tomasinianus). Although they look exceedingly fragile, they are the fastest of all crocuses to spread.

Mine were planted in a mixed border with a lawn on one side and a gravel path on the other, and they soon invaded both. It never occurred to me that they would be able to establish themselves in the close-mown lawn – it seemed impossible that they could retain enough leaves for survival, let alone produce any seed. But, in fact, they have taken over more ground every year, and there is now scarcely a place in the lawn where there are not a few and in some places they are becoming quite thick.

The flower buds are slender and silvery lavender outside, and open to reveal a violet interior, though precisely what shade of violet to expect one never knows. This is a naturally variable plant when grown from seed, which is the means by which it is just as likely to spread as by the multiplication of its little corms. All those in my garden have kept themselves well within the colour range I have described. Occasionally, deeper purple forms have been discovered, given distinguishing names and kept true to type by increasing them only from corms. I have grown a few of these – Whitewell Purple, Barrs Purple and Taplow Ruby among them. All are much deeper in colour than the common species but none has quite its urge to get up and go. And, of course, if you let these named varieties set seed, they will soon dilute themselves with more ordinary seedlings.

The only other crocus that comes anywhere near the performance of the Tommies is the one they call Cloth of Gold. It could equally well have been Susie, since its botanical name is C. susianus.

It is as brash as the Tommies are discreet, a yellow you will not find surpassed in brilliance in any crocus, except the unforgettable C. ancyrensis, a crocus I have only grown successfully in pots. I always plant these pot corms outdoors when they have finished flowering, but they have never turned up again another year. Maybe some kind of mouse finds this crocus especially irresistible.

I have had no such problems with C. susianus, though it has never been as reliable as the Tommies. I rate it highly and would recommend it.

Another species that does well for me is C. chrysanthus, and so do all its varieties, which are numerous and so different, one from another, that it seems incredible they should all have a common ancestor. In fact, some experts believe that they do not, and that it is only the whites and creams, the primroses, yellows, purples, and variously striped flowers that are pure chrysanthus. The good blues, light or dark, are thought to be diluted with genes from another crocus, maybe those of C. biflorus, and, as a result, are said to be a little slower to multiply and less easy to retain. Certainly all that I have grown have been reliable and charming, their rather tubby, short-stemmed flowers instantly recognisable, and produced with a freedom only rivalled by C. ancyrensis.

None of the wild crocuses can match the size of bloom of the Dutch hybrids, which are the favourites of all park superintendents and other gardeners who have to make fine displays in public places. They grow them well, they renew them frequently, and they make such stunning displays with them on the roundabouts and beside main roads that for these can become danger spots for flower-loving motorists.

One thing is quite certain. Dutch crocuses would be unable to invade my lawn, unlike the cheeky little Tommies. They carry far too much foliage for that, and rely on it too completely to feed their fat corms. If you want naturalised Dutch crocuses in grass, as they do in the parks, you will have to delay the first cutting until the crocus leaves die down, and that may not be until early June. The only alternative is to purchase nursery-grown corms every autumn, and for that you really need the equivalent of a public accounts purse. If you are restricted to a shoestring, the Tommies and the Susies, which will look after themselves are your best bet.

Arthur Hellyer

BRIDGE

TODAY'S HANDS come from *The Complete Guide to Defensive Play* by Frank Stewart (Robert Hale, £11.95). This is a really interesting and instructive book. Let us start with a hand from the chapter that deals with Assumptions:

N
♠ A 8 3
♥ A 9 8
♦ K 8
♣ Q J 10 5 4

W
♠ K 9 7 6
♥ 6 4 3
♦ Q 6 5 4 3
♣ 2

E
♠ J 10 4 2
♥ K 5
♦ J 9
♣ A 9 8 7 6

S
♠ Q 5
♥ Q J 10 7 2
♦ A 10 7 2
♣ K 3

North deals at game-all and opens with one club. South responds with one heart and North re-bids one no-trump. South now says three diamonds, North raises hearts to three and South's four hearts closes the auction.

Your partner, West, opens with the club two, an obvious singleton. How do you defend? The ace of clubs, a club ruff and the heart king will provide you with three tricks. To beat the contract, you need a trick either from diamonds or from spades, so you assume that partner holds spade king or diamond ace.

If West holds the diamond, you can give him the ruff at once; but if he holds the spade, it is essential to lead a spade at trick two. You play your spade knave, covered by queen, king and ace. South crosses to his diamond ace and finesses the queen of hearts. You win, lead a club for West to ruff, and a spade return puts declarer one down.

Did you lead a spade at trick two?

We turn to Around the Trump Suit:

N
♠ J 8
♥ A J 7 3
♦ K 10 6 3
♣ A K 3

W
♠ K 10 9 5 2
♥ 8 4
♦ J 8 7
♣ J 9 4

E
♠ Q 7 6 3
♥ 10 6
♦ Q 5
♣ Q 10 8 5 2

S
♠ A 4
♥ K Q 9 5 2
♦ A 9 4 2
♣ 7 6

In a pairs event, South dealt with North-South vulnerable and bid one heart. North said three clubs, raised the re-bid of three hearts to four, and all passed. West led the 10 of spades to the knave, queen and ace. The declarer drew trumps in two rounds, cashed ace and king of clubs, ruffed dummy's last club and cut adrift with the four of spades. The average player, knowing that to give a ruff discard is one of the seven deadly sins, leads a diamond. Dummy plays low and East's queen loses to the ace.

Now South returns a diamond to finesse dummy's 10 and makes 12 tricks for a top score. But West, an experienced player, started to do his sums.

South had shown five hearts and two clubs. If, therefore, he had only two spades, he must have four diamonds – and one ruff discard would not give away the contract. South could ruff in one hand and throw away an eventual winner, not a loser, from the other.

West led another spade, South ruffed in dummy but had to lose a diamond – one down.

E. P. C. Cotter

TRAVEL

Sipping tea at a waterhole: a hedonistic view of Africa

***Michael J Woods* on an altogether more civilised form of game watching**

THE PIERCING screams from the nearby acacia tree were horrifying. Surely I was about to witness a murder. Then, squealing loudly like a pair of frightened children, two baboons appeared on the very edge of the dense foliage, their backs to the outside, facing the deep growl which came from the old male within.

The activity of the two smaller animals thrashing among the branches had caused a dozen or so of the curly red seed pods to rattle from the tree to the sandy soil beneath where a loitering elephant discovered them, selecting each one individually with the two "fingers" on the end of his trunk and blowing it between hair-fringed lips into his mouth.

Not content with the few pods on the ground, he reached upwards with his trunk to try shaking the branches some more. Faced with this new threat from below, the two baboons came close to hysteria as they struggled upwards from the elephant while keeping a decent distance from their invisible tormentor within the foliage. Fortunately, their new movement dislodged even more pods and, while the elephant was occupied with these, they dropped from the tree and dashed off, followed by the angry male who almost fell out of his tree in the fury of his pursuit.

This was the highlight of a morning's gamewatching from a hide at a waterhole on the fringes of Mana Pools National Park in northern Zimbabwe. The hide itself was a flimsy structure based on an old trailer and sitting at the top of a steep bank. I wondered more than once what would happen if an elephant decided to tip the whole affair into the pool below. I comforted myself with the thought that the two rotund Americans with whom I was sharing the hide would provide enough ballast to match any elephant.

Elephants seemed to dominate our life at Chikwenya, a delightful camp sited on one of the river terraces overlooking the Zambezi River among large mahogany, acacia and sausage trees. Each of the reed-thatched huts or lodges has its own view of the river through a cavemouth entrance, uncluttered by windows or doors. One afternoon, mine was darkened by the bulk of a slowly moving elephant, part of a small herd of males.

At the rear of each hut, the en suite bathroom has the sky for a roof and walls just over head height, so I stepped onto the toilet seat to get a better view of events – only to find my neighbours busily videoing the passing pachyderms from a similar vantage point.

Chikwenya is a small camp run by Geoffrey and Veronica Stutchbury who have a wealth of knowledge of bush life. A game drive with Geoff, who relishes his image as the grand old man of the bush, is no ordinary experience. He knows many of the elephants by name and talks to them quietly when he approaches them.

There is the chance to walk here among the trees and the "adrenalin grass," so called because walking into its dense interior sets the adrenalin pumping. We flushed a sleek leopard from one patch, which bounded off to loud snorts of alarm from a nearby herd of impala. A sturdy home-made raft based on three canoe hulls also gives the chance to take to the river, running between the islands among the laughing snorts of hippos and the unearthly cries of the fish eagle.

When I left Chikwenya we flew low up river, looking down on pods of hippos and the occasional individual swimming under water, to Kariba, where an apparently insignificant dam holds back an enormous lake. I was whisked over the lake to Fothergill Island, sister camp to Chikwenya but about three times larger. Arriving at a safari camp by speed boat is refreshingly different, and I was welcomed with a cold drink before even signing in. Sue Ryan, an American with a deep love of the bush, manages Fothergill and her calm and efficient organisation does much to ensure that everyone enjoys their stay.

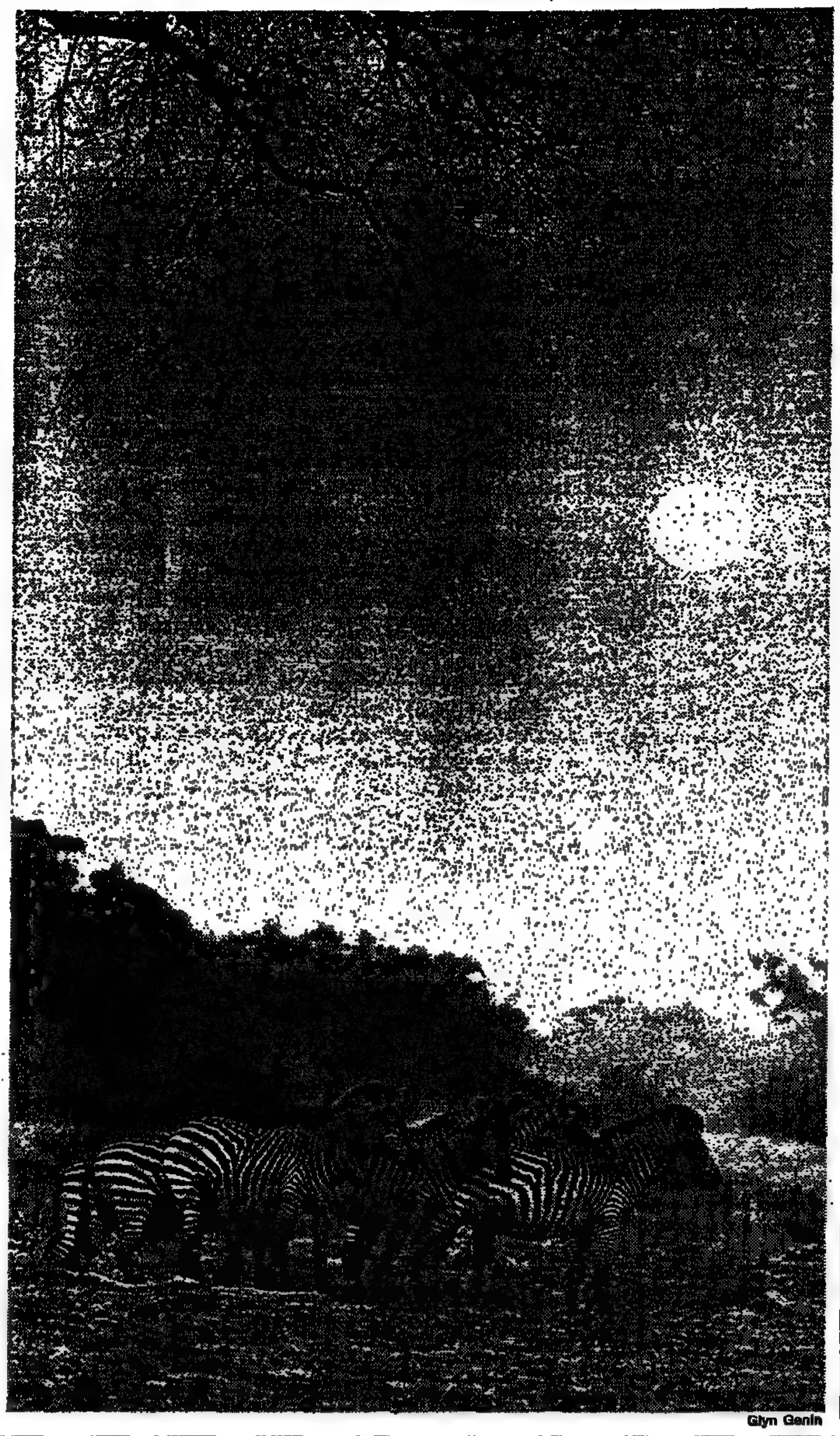
On my first afternoon I went game viewing from a dory that picked its way among the skeletal trees that still line the lake shore from when the land was flooded some 30 years ago. We saw a variety of animals – waterbuck, buffalo and a rare black rhino – and drank tea in an inlet surrounded by a group of grey herons.

Afterwards we trickled slowly back to the main lake with the outboard hardly making a sound. A water dikkop, a wader about the size of a lapwing, was defending its nest against an egg-loving monitor lizard about two feet long. The dikkop, with wings outstretched, wheeled to face the lizard with high-pitched cries while, from the boat, we could hear the hiss of the marauding monitor and see its flickering tongue as it pushed purposefully forward.

Then, on the skyline, a pair of side-striped jackals were spotted, excavating a crocodile's nest in the sand. At our approach they trotted off, each with a white egg protruding from its jaws. We landed then and Daryl, our guide, expertly located the nest and showed us the eggs.

We sped back to camp as the sun was setting, our foaming wake shattering the shimmering lines of amber, white and violet of the lake's surface. I felt quite hedonistic as I sat back in the embracing warmth of the evening air and sipping a cold beer as we shot back to Fothergill for dinner. It was a long way from the dusty, bumpy Land Rover ride normally associated with a game viewing trip.

■ *Michael J. Woods travelled c/o British Airways Speedbird (tel: 0293-611611) and UTC (01-566-166), which offers a range of flexible packages for Zimbabwe, including two nights at Chikwenya and two at Fothergill Safari Lodge.*



Glyn Genin

SNAPSHOT

WE WERE all British, apart from our driver/guide. Jane was on holiday from Malawi, where she works for an aid organisation, and with her was her mother, Ann, while Bill had won the holiday of a lifetime, a week in Zimbabwe, and wasn't sure if he was really enjoying it.

On our outward game drive, the sandy river bed had given us a little bother but a quick push had seen us on our way to breakfast under ivory palms.

We got out at the sand river on our return, but the Land Rover sailed across until asked to climb the far bank. This it refused. It dug in its heels: right down to the back axle. It seemed a bit of fun at first. We scooped out some sand and pushed sticks under the wheels, but to no avail; so we tried some stones.

Still no luck. Then we dug a big hole and put in a large rock. The Landrover moved forward 2 ft. At that point I wondered why the front wheels were not spinning, only to discover that the front drive shaft had been cannibalised for another vehicle some time before. No wonder we were stuck.

By now the ground was so hot that we had to scoop cool sand from under the vehicle on which to kneel. We tried jacking, levering, more stones, the rubber mats from the floor; but the truck refused to shift in any direction but down.

With stiff upper lips we were all prepared to dig on, but our driver, mortified, went to radio for help. He finally returned with the good news that assistance was on its way and an hour later a proper four-wheel-drive Land Rover arrived complete with a game guard with a gun.

"A little late," we cool Britons chortled, "as we've been here unmolested for four hours." To us it was all part of the African experience, although I suspect that Bill felt he had won more than he bargained for. If there is a moral to this story, it is to check before you leave camp that your Land Rover really has got four-wheel drive. If you must get stuck, ensure *that the rest of the party have stiff upper lips.*

SNAPSHOT

NYIKA, in northern Malawi, is far from the packaged safari parks of East Africa. If you want big game it will probably be a disappointment. But it does provide an experience of a remote part of Africa far away from the mass tourism circuit, writes **Michael Hall.**

At Livingstonia, on the eastern escarpment, the influence of the early Scottish missionaries is most in evidence. It is possible to walk there from Chelinda in two days, but most people take the long circular drive to the south of the plateau.

From the shores of Lake Malawi the main road climbs steeply to the mission. In the wet season it is impassable. I had to walk most of the way after my vehicle stuck in a metre of mud, through maize fields and tiny villages where McDonald is a common first name among the local Tonga people.

Livingstonia Mission was established by the Free Church of Scotland at the southern end of Lake Malawi in memory of the explorer, Dr David Livingstone, in 1875, two years after his death. But an unhealthy climate and five missionary deaths forced them northwards, and by 1896 the legendary mission leader, Dr Robert Laws, who was to serve in Malawi for 52 years, had established the headquarters at the present site in the north.

During the climb it seemed to me as though Laws must have wanted to find the most inaccessible part of central Africa. But the view from the mission, a cool 3,000 feet above Lake Malawi, is stunning.

I stayed in Dr Laws' old house, known as the Stone House, the only place to stay in Livingstonia. Built in 1903, part of it has been turned into a comprehensive museum of missionary life. Breakfast is real Scotch pancakes with honey.

The mission is well known for its secondary school, and a network of outlying mission schools has ensured that literacy rates and levels of education are higher in northern than central or southern Malawi.

Priests, teachers, civil servants and craftsmen continue to graduate from the mission institutes. But the only European at Livingstonia these days is a teacher with the UK's Voluntary Service Overseas. The posting must rank among the world's best.

Lucia van der Post visits a home transformed by the work of a host of inspired craftsmen

Partners in the art of creation

IF YOUR vision of crafts is of sand-coloured pots and rugs of indeterminate pattern then think again – Georgia and David Langton show just what a partnership between enlightened patrons and creative craftsmen can do to bring life to a distinctive house.

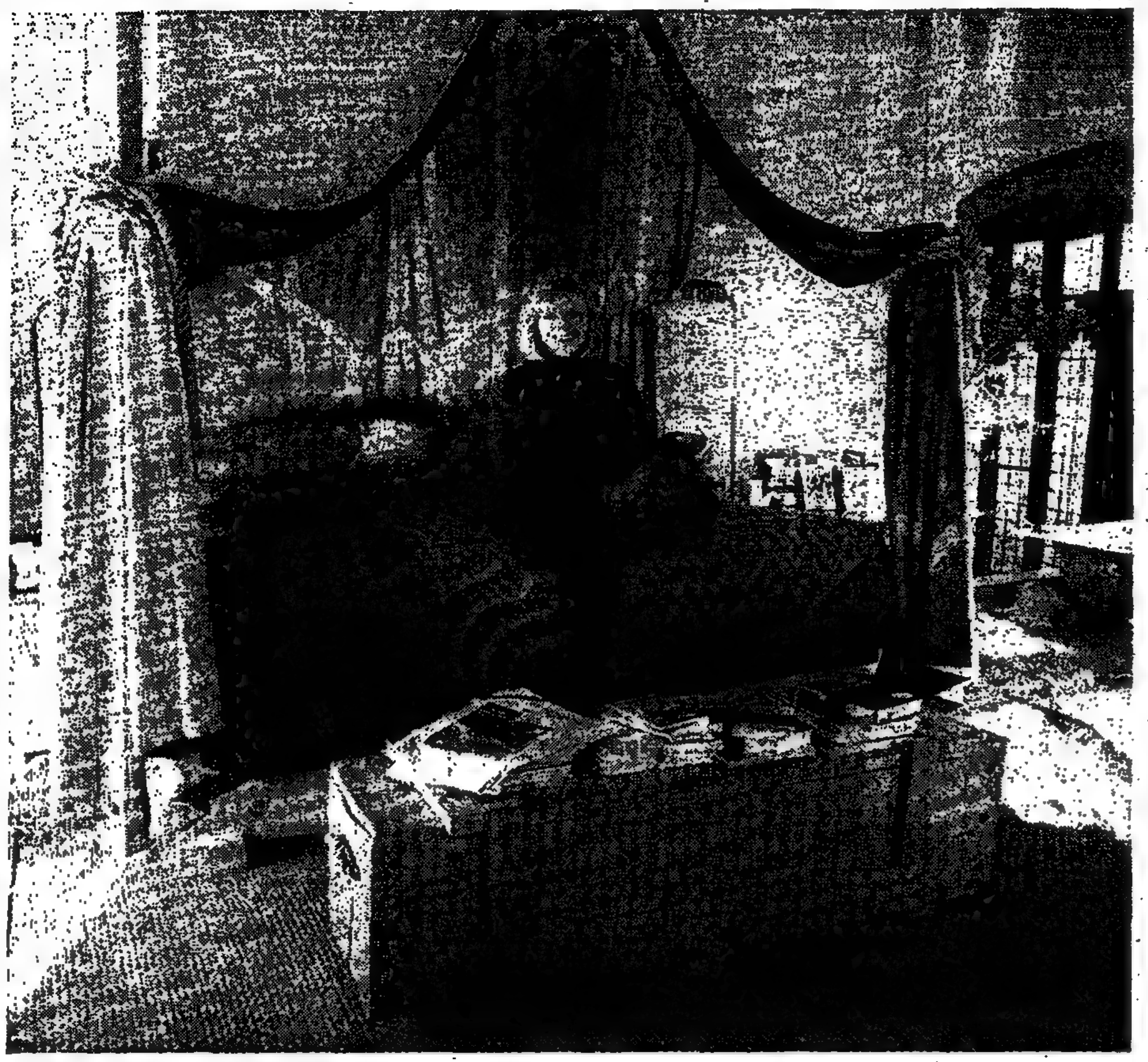
GEORGIA and David Langton became patrons of the crafts for the simplest of all reasons – necessity. Having bought a largely 14th century priory in Somerset in a fit of the sort of madness that only comes upon those who fall instantly in love with a building, there seemed to be almost nothing around that fitted in with its stark, distinguished architecture.

They took all the right advice from the experts at places such as Sotheby's and even indulged in some expensive authentic Elizabethan or Jacobean oak but, to their eyes, it just looked totally wrong. "It was far too ornate," says Georgia. "Not the sort of thing the monks would ever have had." So there was nothing for it but to sell the oak and begin furnishing in an eclectic way – a Biedermeier piece here, some Queen Anne walnut there, a 17th century wall hanging in the hall, and plenty of junk shop buys.

But that still left them without some important pieces – like a bed. So they began to commission special one-off pieces to fill a specific niche. The result is a rich, vivid and entirely idiosyncratic mixture that seems to suit the house and the people who live in it perfectly.

It was the house, of course, that got them started. "We thought we were looking for a nice farmhouse when we came upon this amazing priory," says David Langton. "It was everything we didn't want. The house was too big and the land around it too small. But we stood outside in a blizzard and said 'Yes, Yes.' IT bought us really. Though it had been lived in continuously since the Dissolution it was in a terrible state when we found it, and restoring and furnishing it has taken much of our time and most of our money ever since."

As patrons of the crafts, they started small – by commissioning some candlesticks from John Leach. All the candlesticks they already owned seemed much too puny and insignificant for a house where the main rooms are 30 ft long. They had seen and liked his work in a gallery in London and when they found that he lived near them in Somerset they rushed off to see him.



Georgia Langton on the splendid elm four-poster made by Richard La Trobe-Bateman, with bed hangings and floor rugs by Vanessa Robertson and a chest also by La Trobe-Bateman

When Georgia told John Leach they wanted 14 in-high candlesticks he couldn't believe it. "It's not possible," he told them. "Do you realise 14 in is very large and when you put a candle in it then it stands 3 ft high. Do you know how high 3 ft is?" Georgia did indeed know how high 3 ft is and stuck to her guns. His almost puritanically simple pottery candlesticks are perfect and the Langtons have been commissioning ever since.

The four-poster bed was ordered fairly early on – they had been sleeping on a mattress on the floor ("with spiders running over us") as there didn't seem to be much around, apart from The Great Bed of Ware, that matched the grandeur of the room. They asked Richard La Trobe-Bateman to make them a four-poster in suitable proportions (the ceiling is 27 ft high) and Vanessa Robertson did the bed hangings and the floor rugs. As you can see the result is perfect – individual without being eccentric, imposing without being intimidating.

They both love the work of Richard La Trobe-Bateman and throughout the house there are pieces by him – a huge elm chest and some folding elm chairs in the hall which sit below a richly embroidered 17th century wall hanging, two double settles in the kitchen which are now covered by glorious woven throw-overs specially commissioned from Candace Bahouth. Candace Bahouth had already made for them the amazing 15 ft wall-hanging which hangs at one end of the sitting-room above an intriguing collection of old pots and bowls and some huge church candlesticks.

Throughout the house there is further evidence of the Langtons love of pots and candlesticks, bowls and tableware, and old and new jostle side by side, each enriching the other – some have been found in antique shops, some in galleries and others have been commissioned - all evidence of a fine eye and an eclectic taste which gives the house its very special feeling.

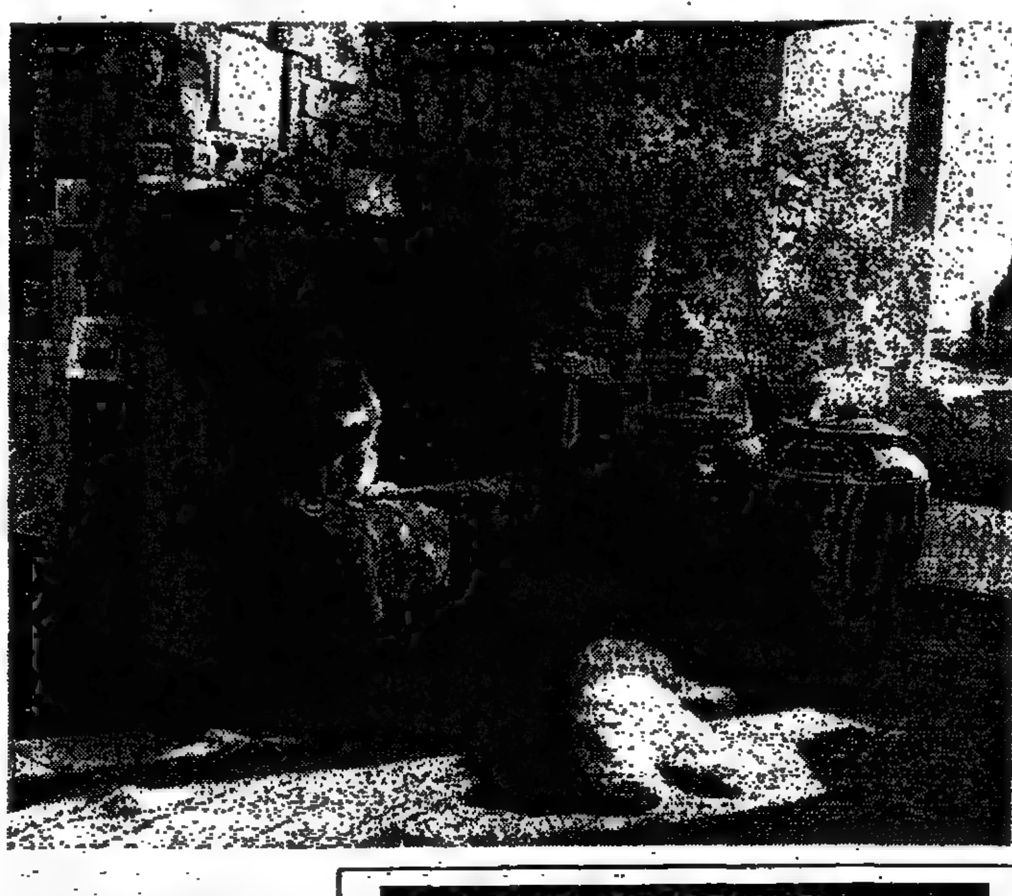
When it comes to prices the Langtons are naturally loth to reveal exactly what each piece cost, but they reckon that in most cases the cost of commissioning new comes to roughly a third of what an authentic and suitable antique would have cost. For their money they have something designed specifically with their needs in mind, something unique and beautiful which not only works for them but gives immense visual and aesthetic pleasure along the way. They are passionate about the rewards and the sheer fun of working with craftsmen and believe that many people would use them if they knew quite what pleasure it brought and what outstanding value it often is.

Their advice to those thinking of embarking on similar projects is firstly to find an artist whose work you love and admire. Get to know him or her, and let him or her get to know you. Explain roughly what it is you want – and then you must let go and trust the artist implicitly. What the best artist/craftsman will give you is something better than anything you could have dreamt up yourself. "For instance, when it came to the tapestry in the sitting-room we just asked Candace for something that took into account the colours already in the room. She immediately saw that we loved gardens and flowers and so she suggested a garden or floral theme. She brought it off brilliantly."

"We've been very lucky – I don't think we've ever been disappointed. More, we've been amazed by the way in which our own ideas have been enriched and built upon and by the intuitive way in which the artist has given us more than we ever hoped for. Also, whereas we used to haunt antique shops, since we've discovered the fun of working with craftspeople we haven't been in one for years.

"With a very old house like ours it is such a relief not to be living entirely in the past. Whereas most of the modern furniture in the shops wouldn't suit our house at all, by commissioning we get the best of both worlds: furniture that is absolutely appropriate and yet utterly contemporary."

It has to be said that the Langtons themselves are possessed of exceptional taste and flair and this, coupled with a sense of aesthetic adventure and a responsiveness to new ideas, must make them almost ideal patrons. But it is a route open to many of us to follow – the pity of it is that so few choose to do so.



Above, the 15 ft wall hanging by Candace Bahouth which had to pick up the existing rich colours in the sitting-room and which Candace, *noticing the Langtons' love of gardening*, suggested should be on a vaguely floral theme. It works beautifully sitting above a French provincial farmhouse table, some ecclesiastical candlesticks and a collection *of old bowls. Right, one of a* pair of double settles in elm by Richard La Trobe-Bateman for which the Langtons asked Candace Bahouth to make throw-overs. The result is rich and intricate, in the sort of deep colours that seem to suit the house. On the floor are storage jars by Clive Bowen, a jug by John Leach, hand-thrown plant containers *by Svend Bayer and, on the* table, a painted wooden slice of water melon by the Langtons' daughter, Sacha

Where to find it

ALL THE craftspeople used by the Langtons, and many, many more, can be found through the Crafts Council Information Service, tel. 01-930-4811. The Crafts Council has a colour slide index of the work of hundreds of crafts people which anybody interested can look through.

An excellent commissioning service is also run by Vanessa Swann at the Contemporary Applied Arts, 43 Earlham Street, London WC2 (tel. 01-836-6993) who has about 250 artists on the books. Friends of the CAA (annual subscription, £10) get a 10 per cent discount and invitations to private views.

Above, Jewel Garden by Liza Collins. On show at The Contemporary Textile Gallery it measures 19 ins by 22 ins and is for sale at £322. Below, The Isle is Full of Noises by Jeni Ross has already been sold but other work of hers, ranging in price from £2,000 to £5,000, is available

Cue for artists

ANYBODY interested in contemporary crafts should look out for a new Channel 4 series starting on March 13 called Not Pots. Each programme will contrast the work of a traditional artist with that of a more contemporary one working in the same field, and will focus in turn on weaving, wood turning, metal-work, knitting, jewellery and basketry.

Besides looking at the products and how they are made the series will address the other pressing problems in a craftsman's life – such as why they do what they do and how on earth they make it pay. There's also an exhibition linked to the series, called Six Crafts on 4, which is on now and will run until March 25 at the Crafts Council Gallery in London.

If you're interested in seeing craftsmen at work make a point of going when the demonstration workshops are under way – daily from 11.30 am to 3.30 pm. Admission is free and the gallery is open from 10 am to 5 pm, Tues - Sat, and from 2 to 5 pm on Sundays. For further information, contact the Crafts Council at 12 Waterloo Place, London SW1Y 4AY.

■ For evidence of the exuberance and vitality of contemporary crafts one need scarcely look further than the current exhibition at The Contemporary Textile Gallery, 10, Golden Square, Soho, London W1, where the work of a group of some 18 textile artists is on view from now until March 17.

The work is immensely varied in style and mood – there are the rich jacquard "paisley" designs of Cefyn Burgess, most suitable perhaps for using as a hanging or to throw over a piece of furniture. There is the very vibrant, colourful work of weavers like Liza Collins and Jeni Ross, pictured above, which has all the graphic appeal of a picture; the silk hangings and throws of Rosemary Atkinson, with their lustrous, iridescent surfaces; and Sara Parnell's rag rugs – all in all an eye-opener.

Though all the individual pieces are for sale, one of the main functions of a gallery like this is to spread the word, to make more of us aware of just what beautiful work is currently being done and to encourage viewers to think of commissioning something special and one-off from an artist whose work they like.

■ Essential reading for those interested in crafts is the magazine *Crafts*. Published six times a year, £3.25 an issue, it is a fund of information, featuring in colour the works of a broad band of contemporary artists as well as keeping readers up to date with exhibitions, shops, galleries and craftsmen's work.

FOOD AND WINE

Small but superior: NZ makes its mark

***Jancis Robinson** sees plenty to praise in this outpost of the vine but questions its reliance on the British market*

ON TUESDAY, the Queen made one of her rare sorties into the world of wine. Those people at New Zealand's 38th annual Viticultural Field Day in Marlborough, the country's biggest wine region, were noticeably more polite than some of their Maori countrymen had been *a few days earlier*.

They were probably hoping, almost certainly in vain, that some measure of royal favour would fall upon NZ's troubled industry. For Britain, without realising it, is crucial to the future of this promising but fragile outpost of the vine.

Dangerously, but perhaps inevitably, these particular Kiwi eggs have been put into just one basket, marked UK. The domestic market for the NZ product is hardly booming; indeed, like most of the rest of the world – *except the* British – New Zealanders are drinking less wine.

An even greater threat to the NZ industry has been the dismantling of trade barriers with Australia, which has its own surplus of cheap wine. At last, the muscular Aussies are able to view New Zealand the way the rest of the world has done, carelessly, for years – as a seventh Australian state and so much easier to service from Sydney than Western Australia.

The Australians have been *swooping on NZ drinkers* by buying up its wineries and distributors, infiltrating the country with sales staff of a sophistication encountered rarely before, and even by shipping wine in bulk across the Tasman to be packaged more cost-effectively on Kiwi soil.

In 1986, one in every 32 bottles of wine opened in NZ was Australian. By the end of this year one every five will be, according to Bob Campbell, wine commentator *for New Zealand's National Business Review*.

Australia's cheap and beefy reds are in particular demand in a country which has only just started to make decent red wine in any quantity.

With substantial new vineyard acreage coming into production this year and next, New Zealanders *see an increase in orders from their* chief export market, Britain – which, last year, took nearly half of all NZ wine shipped – as their only salvation. In 1989, the UK imported just over 1m litres of wine from New Zealand, and more than 7m litres from Australia.

While the bigger Australian companies can afford to appoint salesmen especially to court such potentially lucrative markets as the Scandinavian and Canadian liquor monopolies, the New Zealand wine sales strategy seems to be a *simple, possibly naive, belief* in rewarded affection for the Old Country.

The trouble is that NZ's wine industry is so small. It produces more than Turkey but less than Cyprus or Canada. It exports less than 10 per cent as much as Australia, which itself exports less than a quarter of the volume shipped from that other popular source of British dinner party lubricant, Bulgaria.

To these casual (if trend-conscious) British drinkers, though, New Zealand wine probably is seen simply as the logical next taste experience after their love affair with Australia, rather than any expression of Commonwealth game-playing. Many might be delighted by what they find inside a bottle from New Zealand – clean, *sappy fruit with natural acidity that* is refreshingly high for a New World wine – provided they get the chance to try one.

To the large supermarkets and off-licence chains, however, the quantities available from New Zealand's more interesting producers often are laughably small. People looking for the small quantities of exciting wines New Zealand has to offer have to work at finding them. Some suggestions are given below.

The wines, and where to find them

☐ WINE STYLE: Fresh, direct fruit flavours with relatively high acidity. Most whites ready to drink at one year after the vintage, and nearly 90 per cent of all New Zealand wine is white.

☐ WINE TYPES: Sauvignon Blanc, the Sancerre grape, was the variety on which New Zealand made such international reputation as it enjoys. The wines are light and often have just a touch too much unfermented grape sugar for Francophiles, but are more exciting and nervy than *Sauvignons from the hotter vineyards* of Australia and California.

Now that well-made Sauvignons are at long last available (sometimes more cheaply) from Touraine, Bordeaux and even Chile, these New Zealand Sauvignons have lost some of their competitive edge.

The market leader, Montana Marlborough Sauvignon Blanc, is rarely thrilling; but as a dry, scented, fruitier under-£5 answer to Sancerre, it makes a worthy ambassador and can be found in a wide range of chains.

Chardonnay must be New Zealand's great hope. Good-value alternatives to white burgundy are sought-after around the world and New Zealand, with Chardonnay as its second most-planted grape variety, can offer its most basic Chardonnays – delicate, lively young things – at the same price as its Sauvignons.

More interesting, however, are top *bottlings from New Zealand's more* ambitious producers who have been through the "I've paid for these French oak barrels and mastered malolactic fermentation so I'll jolly well make sure you can taste them both" phase, and come out the other side producing some admirably-balanced wines that bring to mind the Cote d'Or.

Any faults tend to result from inexperienced bravado rather than the chemically-administered caution that is still too common in Burgundy.

It has to be said, however, that Australia has been refining its Chardonnay output of late and New Zealand can no longer claim to have the monopoly on such elegant, complex Antipodean wines.

Müller Thurgau is NZ's most-planted grape but, while generally much less dreary than in its German homeland, is exported rarely. Chenin Blanc and *Rhine Riesling clearly* have good potential, especially for late harvest sweet wines with enough acidity to make them a refreshing end to a meal.

Cabernet Sauvignon is the most-planted red vine and is at last (thanks largely to the work of one inspired viticultural consultant) managing to produce fully-ripe, deep-coloured grapes that are, in turn, being blended – often with a little Merlot – into creditable, dry and savoury claret-style wines worth ageing.

Because New Zealand usually has quite enough natural acidity, there is none of the uncomfortably searing taste of added acid so common to many basic Australian reds.

Pinot Noir seems to have real potential here, particularly the Pommard clone that has produced such succulent results in Martinborough Vineyards 1988. Few Australian Pin*ots have managed this purity of fla*vour although Coldstream Hills in Victoria has had success by going for brawn and complexity.

☐ SOME TOP wine exporters (with telephone numbers of their UK importers who can supply local stockists):

Te Mata has long (and quite rightly) been regarded as New Zealand's premier *cru*. Excellent Coleraine Cabernet and good Elston Chardonnay, too. Michael Druitt (tel. 01-493-5412).

Cloudy Bay, the invention of a West Australian, no longer has the field of top-quality Sauvignon Blanc to itself but is making fine Chardonnay and has made a respectable Cabernet-Merlot from the 1987 vintage. Peter Diplock (01-734-2099).

Kumeu River is ambitiously, perhaps over-ambitiously, making wines in the French mould thanks to time spent in Europe by wine-maker *(and first NZ Master of* Wine) Michael Brakjovich. A recent cask sample of Chardonnay 1989 was gloriously-pure Puligny. Another who has triumphed with his 1987 red, Merlot-Cabernet this time. Boxford Wine (0787-210187).

Lincoln has started suddenly to make really exciting wine, especially a Graves-like Sauvignon Blanc 1988 and excitingly spicy Cabernet Sauvignon 1988. Neville Cox (0787-280187).

Martinborough Vineyards made a remarkably Burgundian red and white, Pinot Noir and Chardonnay, in 1988. Good value at under £10 from Lay and Wheeler of Colchester (0206-67261) and Haughton Fine Wines of Chorley, Nantwich (0270-74537).

Redwood Valley of Nelson, on the north coast of South Island, is making some great-value Late Harvest Rhine Riesling (packaged sensibly in halves) and an excellent Estate Chardonnay 1988. Fine Wines of New Zealand (01-482-0093).

The Millton Vineyard is New Zealand's *most* vocally "organic" and has made some delicious whites of varied sweetness levels from Chardonnay, Rhine Riesling and, delightfully, Chenin Blanc. West Heath Wines of Pirbright (04867-6464).

Rongopai is another small-scale North Island winery with an eye for design and refreshingly fruity sweet whites. (also Haughton Fine Wines).

Prices: From around £4 for standard varietal bottlings from the bigger companies – Montana, Cooks, Villa Maria – to £12 for Te Mata Coleraine.

Appetisers
British cheese is best

THE CHEESEBOARD has recently been disappointing in two leading French restaurants in London. This is partly because these restaurants insist on French cheeses which need cream from the most lush pastures and are therefore not as good in the winter months as the rest of the year.

French cheeses also suffer from the pre-Christmas demand. The best cheeseboard I have seen recently was the Croque en Bouche in Malvern Wells (tel: 0684-565612) where an all British cheeseboard included Allendale goats cheese from Cumbria, Irish Milleens, Welsh goats cheese and wonderful Montgomery Cheddar among others.

THERE MAY be no shortage of restaurant guides, but there seems to be no shortage either of those who want to start new ones. The latest entry on to the London scene is the Zagat guide. Started by New York *lawyers Tim and Nina Zagat* in 1979, there are now Zagat guides to various American cities. For their London guide they have hired the formidable pair of Jill Norman and Fay Maschler as editors.

The editors need reports and comments, good or bad – their results are not edited – from frequent restaurant goers, and are offering a free guide to all contributors. For the initial questionnaire send a large SAE before March 15th *to Zagat Survey*, 1 Rosslyn Hill, London NW3 5UL.

MAD COW disease, or Bovine Spongiform Encephalopathy (BSE) is casting a deep shadow over the meat market. Earlier and prompter action from the Government would have been a great help as would a more positive reaction from the meat trade. Recently the British Meat Manufacturers Association announced that it had lost one fifth of its members since it introduced a Government *approved code* of practice.

Restaurants too have a part to play, particularly as the news for the consumer is not all bad. There is no need to stop eating calves sweetbreads, kidneys or liver. These cuts, served in the better restaurants, like all the best veal, come from Holland and are therefore unaffected. In view of BSE, restaurants should now specify this.

THE RESTAURATEURS Association, together with the Academy of Wine Service and the Academie Culinaire de *France, recently held its* annual dinner which raised £30,000 for training in the food and wine service.

The food, cooked by five top London chefs, was not only good but also belied the proverb about too many cooks. The service was most impressive. Five courses were served to 400 diners by a waiting staff that was comprised of catering students. They coped admirably with the 2,000 *plates this involved* as well as with Michael Howard MP, The Employment Secretary, who, had to make an enthusiastic speech 20 minutes earlier than planned.

Nicholas Lander

Food for Thought
Sausage secrets

FOR YEARS now I have relied on a relatively fool-proof method of locating decent sausage makers. Whenever I find myself in the company of good-living countrymen I complain about the quality of the sausages available in London. By the end of the evening one of them will sidle over to me and murmur the closely guarded secret of a butcher in Sevenoaks, Newmarket or Melton Mowbray.

About 15 years ago I had my own secret address. I used to spend a lot of time in Wareham in Dorset. In the main street was a butcher who made wonderful sage sausages. He drew an eager clientele from all over the Isle of Purbeck and from as far afield as Poole and Wool. I was in Wareham recently, anxious to discover if he was still there. He was, and so were his sausages, but the main business had gone over to the production of German-style Bratwurst: cavalry officers in nearby Bovington won't eat anything else after a tour of duty with the BAOR (British Army on the Rhine).

The gradual disappearance of our native sausages resembles the fate of our indigenous cheese types. Pasteurisation is not an issue here, but standardisation and public indifference has led to regional differences ebbing away in the post-war years.

Many of England's best sausages were named after their town or county of origin. The Cambridge sausage, for example, contained rice and was seasoned with mace, cayenne and nutmeg; the Cornish sausage was skinless like certain Welsh types and contained veal as well as pork; the Cumberland sausage was made from the now extinct Cumberland hog and sold in spirals from market stalls like saucisson de Toulouse; the Gloucester was made from the Gloucester Old Spot which is now making a small come-back through the efforts of the Rare Breeds Survival Trust.

One of the Trust's leading lights, Anne Petch, has revived production of the Devon hogs' pudding, a sort of southern haggis also made from rare pigs.

The county of Kent had its own recipe, as did Lancashire, where thyme enhanced the pork mix; Manchester sausages contained ginger as well as mace, nutmeg and cloves. The Oxford sausage sounds just about the best of the lot: a truly extravagant combination of veal, pork and beef suet, flavoured with lemon, sage, nutmeg, thyme, savory and marjoram. I long to find this prodigy. *Richards, the pork butchers in* Oxford's Covered Market, sell just about every conceivable pork preparation, but not, I think, this sausage.

Suffolk sausages were famous for their herbiness; Midlanders revelled in pink, tomato-flavoured sausages. In pig-infested Wiltshire, pork was used fresh and blooded. Yorkshire too had its distinctive style.

Most of these local recipes have been superceded by a composite created by local butchers which is, as in the case of Wareham, more or less successful.

A recent visit to Waitrose, however, has alerted me to the fact that an attempt is being made to revive the "county" *sausage. I double-checked with* my neighbourhood Sainsbury – sure enough, they too were offering a "county" range.

I searched high and low for authentic recipes for the Lincolnshire (Sainsbury) or the Cotswold (Waitrose) but found nothing. The Lincolnshire sausage was flavoured with sage and smelled suspiciously of honey. I know some perverse folk like to put honey on their sausages but I find it hard to believe that any self-respecting Lincolnshire yeoman would commit such a lapse of good taste.

*The Cotswold was reason*able, a fresh herby mix. I was sceptical about the lurid pink Cumberland (Sainsbury), but ended up liking its moist meatiness. The Yorkshire (Waitrose) contained tarragon and was pleasant enough, except that I wondered about the authority for the herb – it certainly doesn't figure in my recipe for "Yorkshire special sausage seasoning."

If the supermarkets are going to invent sausages and give *them county names I* don't see why they don't use some of the Heath-Walker counties. We might have a highly scented Avon sausage, a chunky Humberside, and what about a Cleveland? On second thoughts, perhaps not. I think I'd rather go back to my tried and tested methods.

Finally, I must apologise to readers who were upset or outraged at the suggestion that soy sauce was the descendant of the old Roman garum. The Thai sauce made from fermented fish is called nam pla. *Mea culpa*.

Giles MacDonogh

Cookery
Get to grips with a glut

THE pheasant season is over now but there has been such a glut this year and the price of the birds has been so low that many *freezers are jam-packed* with them.

The bore about any bird is plucking it, and when glut proportions are reached the hand that plucks inevitably grows tired. Some of the pheasants in my freezer are stark naked, the birds having been skinned and slipped out of their feathery jackets, rather than plucked, for the sake of speed in preparing them. Some of those that have been plucked are decidedly un-*soigne*, with badly torn *breast skins and legs and* wings so covered with feathery remains that they seem to be wearing designer stubble. It may be best to strip off the skins completely and to protect the flesh in cooking with bacon bandages, as described below.

It is a sad fact of life that pheasant breasts can turn saw-dust-dreary by the time the legs are cooked through. The usual way to overcome this is to use the breasts of two birds for one recipe and the legs of both for another. The other way to tackle the problem is to start cooking the leg joints first and to add the breasts later, as I have done here.

PHEASANT WITH CHICORY & WALNUTS
(serves four)

Although best when freshly cooked, this can be cooked ahead and reheated.

1 pheasant, skinned and cut into four joints; ½ lb or so thinly cut streaky bacon, preferably unsmoked; 4 large heads of chicory, weighing 6-8 oz each; 2 oz each unsalted butter and walnut pieces; half a lemon; ¼ pt light stock; 1½ teaspoons cornflour; a small bunch of parsley.

Drop the heads of chicory in fast boiling water and blanch for three minutes. Drain and let the chicons cool a bit before squeezing them dry, then trim the root ends.

De-rind the bacon and stretch each rasher with the back of a knife. Wind the bacon, bandage fashion, round the pheasant joints to form a protective skin and secure with toothpicks. Melt most of the butter in a shallow flameproof pot, such as a Le Creuset buffet casserole, and colour the pheasant joints gently all over. Remove and reserve breasts.

Add the chicons, turn them to coat them with butter. Pour on the lemon juice and stock. Season with pepper but no salt in view of the bacon. Bring to simmering point, cover with butter paper and a lid.

Cook in the oven at 335-350 F (160-180 C) gas mark 3-4 for half an hour or so, basting and turning the ingredients once *during this time*. Add the breast portions and bring back to simmering point on top of the stove, then return the casserole to the oven and continue cooking for one hour – or more or less depending on the age and condition of the bird – until tenderly cooked.

Fry the walnuts in the remaining butter and chop some parsley. Lift the chicory and pheasant from the dish and remove the toothpicks from the meat. Slake the cooking liquor with the cornflour and check seasoning then return the meat and vegetables to the sauce. Scatter with walnuts and herbs just before serving.

Philippa Davenport

CHESS

IT MIGHT be thought that the process of offering and agreeing a draw when there are few serious chances for either side would be one of the easiest operations for chess players. But the politicised world title matches between the then world champion Karpov and the USSR defector Korchnoi demonstrated that when the stakes are high and the players are on bad terms, peace talks are no simple matter.

Under World Chess Federation (Fide) rules in the early 1980s draw offers were to be generally offered, accepted and declined by the referee except when one or both players was short of time on the chess clock. This cumbrous system was adopted because Karpov, the model Brezhnevite Soviet citizen, and Korchnoi, the exiled dissident, were barely on speaking terms. On one occasion during their 1978 match at Baguio City in the Philippines Korchnoi made some remark to the referee about the position looking level at the adjournment, and the official, believing he had heard a draw offer, transmitted it to Karpov, who promptly accepted.

At the second Karpov-Korchnoi title match, played in 1981 at Merano, Italy, there were three Fide arbiters on stage – male officials from Ecuador and Iceland and a woman judge from Austria. An unexpected difficulty was discovered soon after play began. K and K wished to conduct any draw negotiations preferably in Russian, or failing that, in English. But the chief referee suffered from poor hearing, a fact which remarkably failed to emerge before the match. The woman arbiter, No. 2 in line, spoke only German, while the Icelander did not speak Russian and was in any case only empowered to officiate if the other pair were absent.

Realising the danger of some unexpected crisis, the woman judge came up with an ingenious idea. Her plan was that K and K would be issued with yellow cards (shades of the soccer field) with appropriate wording which could be shown to the opponent. Korchnoi was willing to agree to this novel arrangement, but the Soviet side turned it down.

Hence each draw – and there were 10 such in 18 games – had to be settled by some ad hoc procedure. Sometimes they mutually shrugged shoulders, on other occasions one grandmaster would write ½-½ in bold figures on his scoresheet, making sure that his rival saw it.

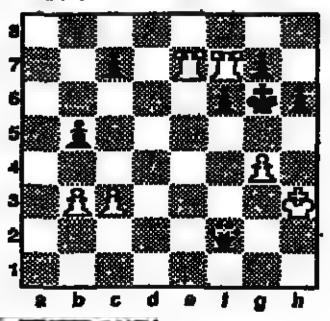
Then in the twelfth game Karpov offered peace directly and verbally, using the carefully polite wording: "Would you like to agree to a draw?" Korchnoi, who had already shown hyper-sensitivity to Karpov's chair movements, immediately complained, gesticulating wildly to the arbiters that seven words were used where one would do. In game 16 Korchnoi held up an envelope on which he had written: "Mr Korchnoi would like to offer a draw – remis," but Karpov, determined on revenge for the ealier incident, signalled his refusal by making a move and forcing an overnight adjournment. Next day the draw was settled after two more moves by a mixture of shrugs, glances, and scoresheet signing.

In more humdrum match and tournament games two points about draw offers are worth keeping in mind. The first is technical: Fide rules *require a player to make his* move, then propose his draw offer, and then press his chess clock button so that the opponent will consider the draw in his own time. In the heat of battle players often propose a draw when it is their turn to move and they are undecided how to proceed. Then the opponent can effectively postpone a decision, requiring the proposer to make a move on the board while still committed to the draw offer.

The second point is psychological. A shrewd moment for a peace proposal is often when you have been under pressure or on the defensive for a long time, but the position is just starting to improve. Your opponent, *under the influence of* the previous advantage, will usually decline the offer. If your position then continues to improve, you are creating inner turmoil across the table: regrets about the spurned draw *and indecision on whether to* lose face with a counter-offer can play havoc with his objective thought and can transform your poor position into a win.

PROBLEM No. 816

BLACK 7 MEN



WHITE 6 MEN

This position from a Hungarian championship game illustrates the limitations of analysing chess by general principles only. Count the material, and Black (to move) is two pawns up; count the immediate threats, and White is poised to play Rxg7 mate. This week you are the impartial adjudicator of the unfinished game; does Black win, lose or draw?

Solution Page XXIII

Leonard Barden

YACHTS & POWERCRAFT

Lloyd's takes to sea with a sense of adventure and a little of that Lutine magic

A chance to fly the corporate flag from Brittany to Rhode Island

THE *LUTINE*, an elegant, sloop-rigged, 55ft cruiser-racer, has clocked up a remarkable sailing record in the past 19 years while sailed by members and friends of its owner, the Lloyd's of London insurance market, under the watchful eye of the Lloyd's Yacht Club.

***The first of the Nicholson* 55 class, built by Camper and Nicholson of Gosport in Hampshire, it was the largest glass-reinforced plastic yacht on the south coast of England when launched in 1970. It competed in the 1970 Bermuda race and came fifth overall out of 250 entrants.**

***The Lutine's* sailing performance has not lost its edge with age. It has won the annual Lutine Bell race twice in recent years and, in strong winds in 1986, set a record of under eight hours between Gosport and Cherbourg in France.**

JOHN NEWTON, chairman of the *Lutine* management committee of Lloyd's Yacht Club, describes here a sailing season with this remarkable classic yacht.

WHEN A newcomer to sailing comes up to you at the end of a weekend to sign on for another trip, you know that the "*Lutine* magic" is working.

The Lloyd's Yacht Club was founded more than 50 years ago to provide opportunities for the Lloyd's "community" to go to sea in a large yacht and to foster comradeship, resourcefulness and a sense of adventure, particularly among the younger members. Equally important for a competitive insurance market, the *Lutine* shows the Lloyd's colours at sea every season in ports as far apart as Gothenberg to Newport, Rhode Island.

Just occasionally, though, the magic isn't there. I remember when several bankers were guests on a day cruise. A big deal came up, involving them on different sides. For the rest of the voyage, you could hardly open a locker without finding a financier crouched over his mobile 'phone.

There was another occasion when a woman on her first yachting trip demanded her own cabin and steward. She then complained that the oilskin locker was not adequate for her coat and there was no power point for her hair drier and heated rollers. But what really outraged the bo'sun was her insistence that he should provide a vase and water for the large bouquet of flowers she had brought with her. Oddly enough, she didn't come sailing again.

The *Lutine's* season starts at the end of this month when members arrive for fitting-out and sea trials after the winter overhaul. This also provides an opportunity for the new bo'sun, appointed for the season, to get to know the yacht. Early weekends are used to try out potential skippers and watch-leaders.

> *'Most of us feel a sense of privilege to be on board such a thoroughbred'*

The boat is involved in a full programme from April to end-November. Every weekend is taken up with club cruises, charters, and racing in the Channel. There will also be an extended trip to Brittany, the Channel Islands or Spain.

During the high months of summer there is a consistent demand for weekday charters by Lloyd's firms to give customers a breath of sea air. We reserve Fridays for maintenance.

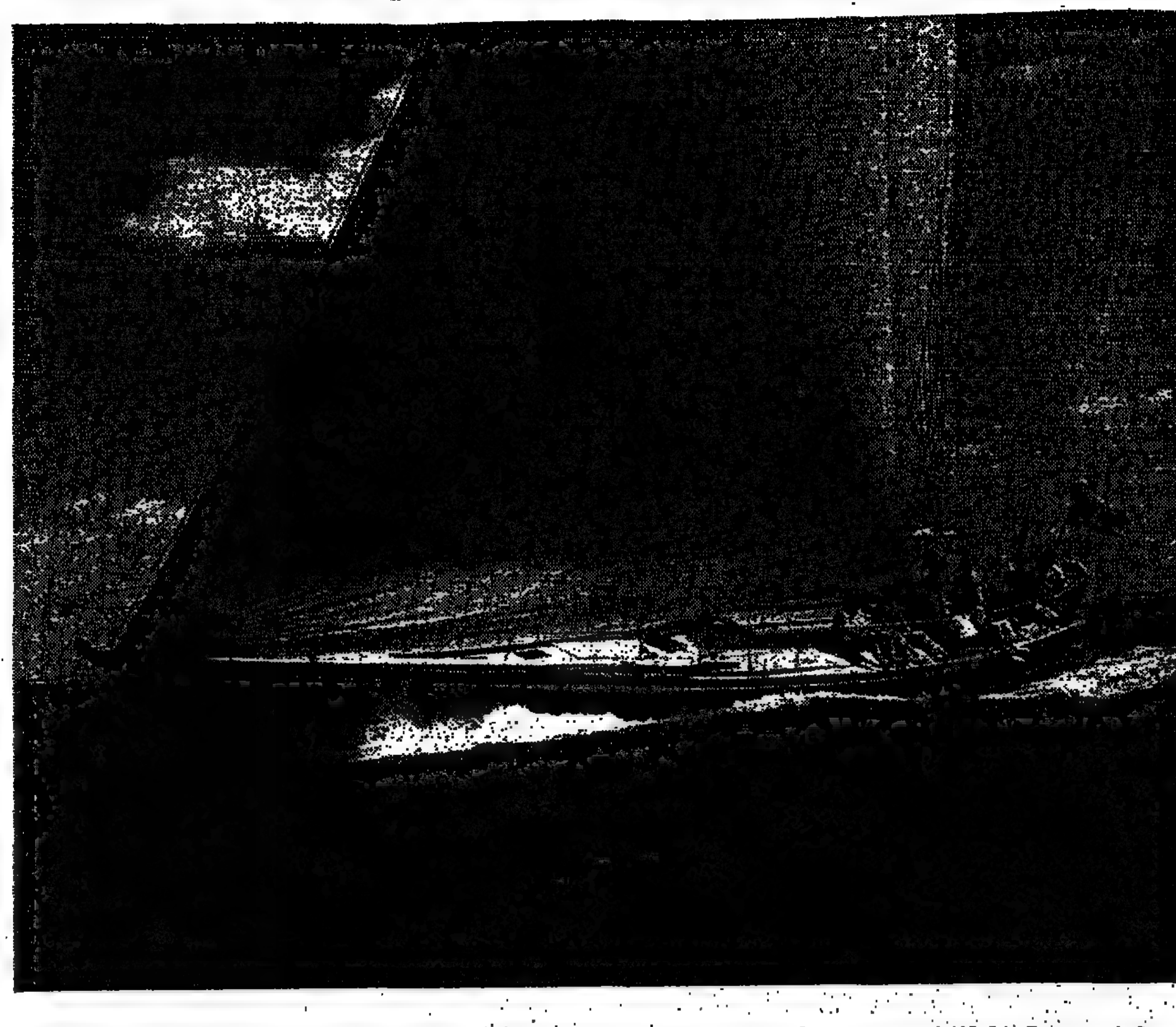
A fine all-round sailing yacht with excellent sea-keeping qualities, the *Lutine* is also an easy boat to sail. It is balanced beautifully and very responsive to the helm, which makes life easy for newcomers to sailing. But its engine is not very powerful for the size of the hull, a common fault in older yachts. So, when slotting 55 ft of boat into a marina berth, the man at the helm usually has only one chance to get it right.

The *Lutine* has berths for 11 crew but we often take 12 or more on passage trips and there is life raft capacity and safety equipment for 14. We always have a full-time, professional bo'sun on board and the skipper is one of a panel of experienced members of Lloyd's Yacht Club.

The *Lutine* is regarded with great pride and affection by those of us who sail it. I think most of us feel a sense of privilege to be on board such a thoroughbred yacht.

This year, as always, members will be competing in Royal Ocean Racing Club offshore events to enable them to put in sea time in order to qualify for membership of that club. In that way, the *Lutine* introduces successive generations of City people to off-shore cruising and racing.

The club plans to keep the *Lutine* for the foreseeable future, but it will arrange a money-raising programme against the time when a new boat is needed. But that is some way off. Meanwhile, there is tremendous enthusiasm at Lloyd's for the present yacht.



THE LLOYD'S of London firms raised the money for both the *Lutine* and its predecessor by donations from the market. In each case, the money subscribed covered the capital cost plus a reasonable margin for running the yacht.

The first *Lutine*, a 60-footer, cost £15,000 new in 1952. The present yacht cost £55,000 in 1970 and replacing it would cost about £375,000.

When the Lloyd's community was approached in 1987 for a replacement, it was not possible to raise the full amount required. But enough money was provided to finance a major re-build.

The annual spending on the boat includes maintenance (which averages £5,000); the annual lay-up and refit (£8,000); victualling (£6,000); bo'sun's expenses (£3,000) and minor expenses (about £1,000). The marina berthing fees of £1,600 are paid by an anonymous benefactor.

In 1989, the *Lutine* more than paid its way. It earned £30,000 against an expenditure of less than £25,000.

Batten down and watch the spindrift

Strategies for increasingly unpredictable weather

IT USED TO be said that a yachtsman might sail in British waters for a lifetime during summer days *without being "caught out" by* a real storm.

Like many old saws, that one should be laid to rest as the present exceptionally severe winter gales whistle round our ears.

Clearly, we are entering a different weather pattern from that of the first half of the century. No-one can yet be sure if it is a short-term cyclical swing, or part of a long-term cyclical trend, or a basic change caused by the activities of the human race. After all we have had a good deal of funny weather in previous centuries, as any student of maritime history knows. But while the experts debate, it is prudent to be prepared for the worst.

In January and February, high winds have swept the British Isles on a scale and ferocity unprecedented in living memory. Deep and vigorous depressions have charged across the Atlantic from the cold northern territories of Canada. The air pressure at the centre of these depressions has sometimes been abnormally low – under 960 millibars.

A full gale is force 8 on the Beaufort scale and represents a wind strength of between 34-40 miles an hour.

Lately, the UK has had periods of many hours – in some districts, days – with winds well above force 8.

Beaufort lists a wind of more than 64 mph as a hurricane: At sea, "The air is filled with foam and spray. The sea is completely white with driving spray. Visibility is very seriously affected." Sounds familiar, doesn't it. Britain has had *plenty of those since Christmas.*

I don't subscribe to the comfortable theory held by some sailors that a winter of hard winds will be followed by a calm summer.

All who go to sea should be *thinking seriously about the* risks involved if severe storms occur during the coming summer at more frequent intervals than traditionalists might expect. Indeed, it would be wise to assume that this could happen.

There is no better refresher course in coping with storms than *Heavy Weather Sailing*, written by the late Adlard Coles (published by Adlard Coles).

Coles studied and analysed the worst of those that hit British and French waters during his long life as a racing and cruising yachtsman and provides first-hand accounts of how to cope, based on his own experience.

The most thorough analysis yet made of a sudden storm over a small sea area was done in 1979 when yachts competing in the Fastnet race – last of that year's Admiral's Cup series – were caught suddenly in high winds and mountainous seas, with the loss of several boats – and lives. But the tragedy did provide investigators with a wealth of data.

The classic advice given to yachtsmen in a storm is to keep well out to sea rather than try to close the land with its attendant dangers of rocks, shallows and tide rips. Yet the Fastnet competitors had all the sea room they needed; it made no difference to some of the boats, which were overwhelmed by the sheer strength of sea and wind.

In the summer of 1958, I remember standing on the deck of a nine-ton cruiser-racer in the river Mersey ready to hoist the mainsail in readiness for a Sunday afternoon race "round the buoys." There was no wind.

As the sail went up the mast track, the wind rose suddenly. By the time the main was hoisted fully, it was blowing harder than we wanted. The skipper ordered us to reef before leaving the mooring. Moments later, there was a howling gale and we decided to stay where we were. By the time we had taken the sail down altogether, the boat was lying with its lee rail submerged.

We didn't know it at the time, but this was our share of an unexpected storm that caught 28 yachts of the Royal Ocean Racing Club fleet in positions between Le Havre and the English coast while competing in a Channel race.

"The principal characteristic of the storm was its extreme turbulence with gusts well over hurricane force," Coles wrote. Gusts of more than 80 knots were recorded.

As in the later Fastnet storm, the racing yachts survived the Channel blow comparatively well. But there were casualties among those that tried to run for the shelter of the Isle of Wight; they met extreme seas and wind turbulence, caused probably by tide races and wind being deflected from cliffs.

The high winds continued for nearly four days.

It will save a lot of argument at yacht club bars to re-state one of the conclusions of the RORC inquiry into that incident: "The experiences [of the yachts caught out in the *storm*] do not help to indicate any preference for heaving-to, lying to a sea anchor from the bow or stern, lying a-hull, or streaming warps ahead or astern."

Coles remarks, laconically: "This opinion will be heartening to anybody caught out in a Channel gale for the first time."

R. H.

Heavy weather: storms off Britain are becoming more frequent

Sugar scoops and heating

Roy Hodson looks at ways to separate novelties from basics

THERE ARE some sparkling new boats on the market for the 1990s, complete with such innovations as "sugar scoop sterns" (a nautical way of describing a bathing platform at the rear end), winged keels, wipe-over plastic interiors and other novelties.

So sophisticated are the features now being offered in the price of some new models that it is easy to be diverted from the basic boat underneath. Perhaps that is *the marketing objective.* But when at sea the quality of the basic boat will be all that matters.

If the sort of features above are included, you should find out if they are part of a new total design concept, or if they are simply the visible signs of an attempt by a boat-builder to tart-up an old design.

When buying a boat it is a good idea to find out when the hull was originally designed, who designed it, and how long it has been in production. Also, are the *moulds* in the hands of the original builder or have they been *sold* on to another company? Some moulds change hands several times before being scrapped as worn out. Some should have been scrapped years ago but are still being pressed into service by boatbuilders reluctant to write-off a capital investment.

The fact that a design is, say, 10 years old does not necessarily make it inferior to a new design – as long as the builder of the old design has remained true to the original concepts. If he has tried to distort them then the buyer should beware. A number of adequate sailing yacht designs have, for example, suffered from being laden with a heavy new cabin top and an over-large engine and then offered for *sail* as a "motor-sailor."

If you are buying a new sailing cruiser or motor yacht and are looking for a boat that will not date easily, you will not go far wrong if you look for the following features.

- **An underwater finish *guaranteed against osmosis* (degradation of the glass-reinforced plastics) and preferably including a specialised process to reduce or eliminate the need for antifouling the bottom.**
- **Some form of automatic reefing for the mainsail as well as the now virtually standard roll-up foresail. I am particularly impressed with *systems now coming* on to the market which enable a fully-battened mainsail *to* roll away into the boom itself. If it withstands the test of continued use this will be one of the neatest innovations of the decade. Other systems roll the sail into the mast, but they add weight aloft and cut down sail area.**
- **Quality materials in the sails. Cruising boats can now add 10 per cent to their speed by using the more advanced synthetic sailcloths that used to be the exclusive preserve of racing boats.**
- **A modern self-feathering *propeller. It will cut down* drag and add between 5 per cent and 10 per cent to the boat's speed when it is under sail. Boat builders rarely offer these propellers as standard equipment because they are expensive.**
- **A central heating unit built-in when the boat is under construction. There are excellent reliable designs on the market which either draw from the boat's diesel fuel tank or run on bottled gas. A heater will extend your effective sailing season by months.**
- **Make sure you have an integrated system of electronics (wind, water speed, depth meter, electronic compass, Decca, VHF radio, perhaps Radar, and an engine monitoring system for a motor yacht) installed while the boat is being built. This will save a great deal of awkward work, mess and expense later.**
- **How many batteries are included in the new boat's specification? Any boat of more than 28 ft overall length needs at least two batteries to cope with electrical requirements. Consider having a second alternator as well, on the "belt and braces" principle.**

Now everyone wants a fix

THE RESPONSE to my November 1989 article about the $8bn American global position system (GPS), which is coming into service this year, confirms that interest in precise position-finding extends far beyond seafarers and aviators. The hand-held GyPSy receiver, made in Sussex and selling at £2,200 – the first British-made unit – looks like being part of the equipment of a good number of hill and fell walking parties this season.

Surveyors and civil engineers see their work being transformed by the ability to secure a terrestrial "fix" accurate to a metre or less (using special techniques). British Rail is interested in using it to know exactly where its trains are. Security companies want it to keep track of high value truck-loads on the roads.

Simon Hartwell, founder of the company, Columbus Positioning, expects to sell 1,000 receivers this year. But he is still trying to catch up with a backlog of orders from yachtsmen and commercial vessel operators.

Twelve GPS satellites are now in orbit. When their positions have been adjusted, they will provide round-the-clock global positioning in two dimensions (latitude and longitude). By this time next year there should be 18 satellites in orbit, giving enough information to provide users with height above sea level as well as a fix. The American Department of Defence plans to have the complete GPS system of 21 satellites, plus three spares, in orbit by 1993 while a Soviet system, called Glonass, expects to have 12 of its 24 satellites in orbit by the end of this year (sufficient to give world-wide two-dimensional fixes) and a complete three-dimensional positioning system available by 1995 at the latest.

A new international industry is springing up based upon the two systems. The alchemist's dream is, of course, a simple and cheap receiver that can process signals from both. That will take some time yet, but the Russians are said to be interested in a co-operative venture with the Americans. More than 100 models of GPS receivers are now being produced and they are proving more accurate than the originators of GPS expected.

Indeed, their accuracy is embarrassing the Pentagon. For security reasons, it is planning to introduce deliberate errors into the system to reduce accuracy from an average of 20 to 40 metres to about 100 metres. (The controllers can do that simply by pulling switches).

Yachtsman will not worry over-much about that but the *threat is causing a big row in* the US where all potential users of GPS are being urged by the equipment-makers to lobby their elected representatives. If relations between East and West continue to thaw, the Defence Department is expected to be forced to abandon its intentions.

- The first issue of a specialist magazine on the system has just appeared: *GPS World, produced by the Aster Publishing Corporation, Unit 4E, Bridgegate Pavilion, Chester Business Park, Chester, CH4 9QH. Price £8.*

R. H.

BOOKS

Waiting for the barbarians

***Robin Lane Fox** hails a monumental work on the late Roman Empire*

LAST WEEK'S fuss over a collection of late Roman silver was obviously testing for the experts. Many will wish Sotheby's the best of luck in trying to dispose of their jugs and dishes. They are not a sensational new source for the late Roman Empire; we have such sources already, eloquent texts to which travelling silver is no surprise.

We also have a major new gain in understanding this world. It is not a silver jug but a book: at £35 (including buyers' commission) it takes its readers from the barbarian Goths to the edges of Persia, from the old deserted earthworks of Rome's German frontier to the eerily abandoned city of Seleuceia in Mesopotamia "round whose walls the Devil had once been seen running." We see this world through two pairs of eyes, Ammianus Marcellinus, the great contemporary source for the later fourth century (Gibbon's "accurate and faithful guide") and John Matthews, one of the supremos of late Roman studies, fellow of The Queen's College, Oxford.

If you wonder what can possibly remain to be known in ancient history, this book is one answer. In the past 30 years, understanding of Gibbon's later Roman world has been transformed by one of the great advances of scholarship, much of which has been based in Britain. Matthews's book, like its subject's, is a monumental achievement. I have dog-eared page after page for its detailed addition to knowledge and its acute sense of place and social reality. Like Rome's Eastern frontier, it is tough going in places for outsiders but an open invitation for anyone of intellectual curiosity or previous contact with Roman history.

We enter a world whose rulers talk of Our Eternity; where the folds of the Emperor's purple were kissed by Cabinet ministers; where a pope turns out to have patronised a Roman martyr-shrine in the home quarters of the city's circus factions; and where famine, the old enemy, exposed the weaknesses of cities' local authorities, caught between the demands of central government and their own practice: "The experiences of Antioch in 354 and 362 are no tribute either to the effectiveness, or to the social justice, of the free market economy at a time of crisis."

There are also the golden moments when the author peeps out from his forest of detail. "It is sometimes popularly believed that the Roman Empire declined because of its immorality, but as far as the facts are concerned the opposite is the case: it suffered, if from anything, from an excess of self-righteousness." The "facts," the qualified "if anything," the down to earth correction of a single self-important view: these threads run deep in Matthews' great tapestry of a book in which even the veiled figure of a departing spirit, leaving the dying Emperor Julian, is reinterpreted as a "silent, creeping figure by night, a deserter, perhaps, or a soldier slipping off to relieve himself in the dark."

THE ROMAN EMPIRE OF AMMIANUS
by John Matthews
Duckworth £35, 608 pages

As for Ammianus, he was born probably around 330 and lived into the 390s. Eighteen books of his Latin history survive from 353 to 378. He was a native of Antioch but it was not too surprising that he wrote in Latin, although his style is often very inflated. I, too, am grateful for the recent Penguin translation by the late Walter Hamilton which is a natural pair for general enjoyment of this book.

The great strengths of Ammianus are his sense of occasion and his observation and subtle understanding of men of affairs. He conjures up such a varied world: the snub-nosed Huns who would ride with slabs of meat beneath their seats (not to cook it, as Ammianus thought, but probably to transport it); the "snorting" of extravagant senators in Rome; the "incredible ardour" with which Arabs of the desert, male and female, would make love (had he tried it for himself?). With an eye-witness, we revisit the abandoned Roman villas and forts beyond the Empire's German frontier. Like modern visitors to East Germany, we have the haunting sense of a common culture, occupied, however, for years by settlers who had turned it to a different use. Throughout, Ammianus enlarges this by his anecdotes of human cunning and unexpectedness.

Like our own landscape, this field of history has recently been stripped by the loss of its great oak-trees, pillars of learning who bestrode the world. In less than two years we have lost Arnaldo Momigliano, probably the most learned man of this century, Russell Meiggs, the spirit of Balliol, and Sir Ronald Syme, the master of the Roman Empire. As a pupil of Meiggs, John Matthews has a strong sense of place and a fair mind for evidence; as a close associate of Syme, he has an apt gift for historical geography. His Ammianus is importantly different from the one whom Momigliano outlined. Ammianus emerges as less isolated, less indebted to the historian Tacitus, and certainly not an unmilitary amateur.

Matthews, although he lacks the incisive pen-portraiture at which Momigliano was so bold, has the greater length to show us Ammianus the firm conservative, idealising Eternal Rome, firmly against adultery and traitors and relatively quiet about the effects of Christianity which intrigue us. Ammianus demonstrated an equal dislike for Germans and war-elephants and admired the past "without really knowing it." He was not oppressed by a sense of imminent collapse; indeed, the Roman Empire might revive in a Golden Age. It is too easy to reply that within 15 years of his death barbarian raiders had sacked Rome. Ammianus was not an exact prophet, but the strength and weaknesses of his Tory vision helped to explain a sequel which was no sudden "decline and fall."

Tarsus — with mountains, wild beasts and fortress towers in the background — from a 4th century manuscript

Thrillers

Where have all the villains gone?

TIME WAS, when you opened a spy thriller and settled down for a good read, that you knew exactly who your sinister foreign enemy was going to be. From Kipling's Great Game, on through Sherlock Holmes, *The Riddle of the Sands*, the works of John Buchan, Somerset Maugham and Eric Ambler and so to the present day, the villains were always the Russians or the Germans — or an unnamed central power, or some unspeakable little country in the Balkans. They were foreign, evil, utterly ruthless, and no one was in any doubt as to exactly what ought to be done with them.

But times have changed. The Russians are off-limits now, and so are the Germans. The Balkans remain sinister, but scarcely threatening. There are no big enemies any more, no creepy dictators whose every move can only be thwarted by a lone Englishman armed with an old school tie and a throwing knife. We are all on the same side in the 1990s; John Le Carré recognised as much in his last book, and it raises the question of what happens to the spy novel now that there is no one left to hate.

Give or take a few half-baked stories about the IRA buying Libyan weapons with Colombian drug money, the answer appears to be nothing much — at least not so far. It is business very much as usual, and seems likely to remain so until the present crop of novels has worked its way through the system and authors have had a chance to come up with something new. They must come up with something, though, because they certainly can't carry on the way they are now.

Payne Harrison's first novel *Storming Intrepid* (Century Hutchinson, £12.95) is a case in point. It is set largely in space, where a Russian undercover agent is making a determined bid to hijack an American shuttle complete with the latest Star Wars technology. The Russian will stop at nothing to achieve his aim, not even the murder of his fellow astronauts. Neither will the Americans. They are at each other hammer and tongs — if not sickle — as if glasnost had never been invented. At a time when the Soviet Union is visibly in need of Western support, their antipathy seems dated, to say the least.

To be fair to Harrison, he has written a good, fast-moving book with plenty of technical detail which he has clearly spent years getting together. It is simply his bad luck that events have overtaken him. He is not alone because Douglas Terman's Star Shot (Collins, £12.95) covers much the same ground — Russians trying to eliminate an American shuttle carrying the latest technology — albeit from a different perspective.

The author has used his experience as a US bomber pilot turned Caribbean yachtsman to weave an entertaining tale, in which superpower relations are only a backdrop to the duel between a disgraced American airman and the Soviet interrogator who broke him in Vietnam. He writes slickly, with plenty of inside knowledge, but there is no escaping the fact that the thaw in the cold war has caught him on the hop.

Dennis Jones has been slightly luckier in that one of the heroes of his Warsaw Concerto (Macdonald, £12.95) is a Russian, Mikhail Gorbachev, kidnapped — somewhat improbably — while on a goodwill visit to the US. Gorbachev's abductors are said to be Poles, anxious to see the last of the Russians on their soil, but they might also be Kremlin hardliners, keen to get rid of Gorbachev for their own purposes. Whatever the truth, Jones handles the story skilfully, and with an eye for detail that includes a McDonald's hamburger in Moscow, which wins him full marks for topicality, if nothing else.

Otherwise most of this winter's thrillers are firmly rooted in the past: either the recent past, as in The Zebra Network, by Sean Flannery (Piatkus, £12.95), an old-fashioned but absorbing tale of a CIA man unable to come in from the cold because he is suspected of being a double agent; or the more distant past, as in A Time Without Shadows (New English Library, £11.95), Ted Allbeury's account of the hunt for an elderly Frenchman accused of betraying his Resistance colleagues to the Gestapo more than 40 years ago. Both are perfectly well written, but it will be interesting to see, in a year or two's time, what their authors can come up with next.

All of which brings us to Talking God, by Tony Hillerman (Michael Joseph, £12.99), an offbeat and highly original piece of work which was hugely popular in America last year and deserves to do as well here. It is not technically a spy thriller — although international terrorists are peripherally involved — so much as a detective story featuring two Navajo tribal policemen, Jim Chee and Joe Leaphorn.

Faced with an unidentified body by the railway line, they painstakingly trace the victim's route back to Washington, taking in Navajo night chants along the way, Indian skeletons in the Smithsonian, and the attempted assassination of a visiting Chilean general. The plot works up to a suitably Hitchcockian climax, but it is in the evocation of Navajo culture that the book scores most heavily. The author knows his stuff, to the extent that the Navajo have made him an honorary member of the tribe, and he delivers, to the extent that Robert Redford has bought the rights to this and all his Navajo novels. You can hardly ask for more than that.

Nicholas Best

Two faces of the poet

Songs of love, lust and longing

***Anthony Curtis** on the life of John Berryman*

ROBERT LOWELL and John Berryman, who emerged as the two outstanding American poets after the second world war, were friends. They had met briefly in New York and at Princeton, but it was when Berryman and his then wife Eileen went to stay with Lowell and his then wife, Jean Stafford, the novelist, at their house in Maine, that the friendship began to blossom. Both men had in their heads a rich storehouse of poetry they knew by heart, and over drinks — many, many drinks — they would cap each other's quotations.

They began with the poets of their own generation: Delmore Schwartz, Randall Jarrell, Dylan Thomas, Ted Roethke, Elizabeth Bishop, Karl Shapiro. Then they worked back to their American mentors — Allen Tate, John Crowe Ransom, Mark Van Doren, Hart Crane. Finally they crossed the Atlantic and spouted Spender, MacNeice, Auden and Yeats.

Lowell asked Berryman what he thought were Yeats's three greatest lines. "I'll give you six instead," he said and continued: "Unwearied still, lover by lover,/ They paddle in the cold/ Companionable streams or climb the air;/ Their hearts have not grown old;/ Passion or conquest, wander where they will,/ Attend upon them still."

This account comes from the memoir *Poets in Their Youth* which Eileen Simpson published 11 years after Berryman committed suicide in 1971 by jumping from the railing of a bridge onto the frozen Mississippi River below. Apparently he gave a farewell wave to anyone who happened to be passing. Simpson's book is strongly to be recommended as a prelude to these two volumes of Berryman's poetry, finely edited by Charles Thornbury. She was married to

COLLECTED POEMS 1937-1971
by John Berryman
Faber & Faber £17.50, 348 pages

THE DREAM SONGS
by John Berryman
Faber & Faber £17.50, 427 pages

the poet before he was at all well-known, and while he was writing "Homage to Mistress Bradstreet" (1953), the sequence of poems with which he first made his name.

Simpson describes the precariousness and difficulty of their life as a young married couple during the war at the Princeton Institute of Advanced Study, with Berryman not properly on the faculty but subsisting through various foundation grants. She re-creates too the extraordinary ambience of the campus at that time. It was a safe haven for many eminent refugees from Nazi Germany, Thomas Mann and Hermann Broch among them, as well as being a place where a dialogue about the future of American literature was constantly under way.

Berryman found there just the kind of receptive but keenly critical audience he needed among a group of people whose deep commitment to three things, literature, alcohol and sex, was as great as his own. Thanks to them and Simpson, his self-destructive tendencies were kept at bay just about long enough for him to develop into a major American poet. He did it by a remarkable trick of transference. He focussed on the 17th century English girl, Anne Dudley, who married Simon Bradstreet at the age of 16 and sailed with him and her father to Massachusetts. In the intervals between her domestic duties and bearing her husband eight children, she managed to write a great deal of poetry. Berryman begins by addressing her for a few stanzas; then she speaks in her own voice reflecting on the hardship of her life. This occupies the bulk of the moving sequence, during which there is a colloquy between her and Berryman.

It was in the controlled directness of this poem that Berryman found his true voice. Whereas Lowell in his *Life Studies* identifies with a great many different figures from American culture to speak to the reader in an intimate, personal way, Berryman, after Anne Bradstreet, did it through one single massive poetic persona, in the long sequence of poems now published separately known as *Dream Songs*. There are 385 of these songs, each of them 18 lines long, and they are all about someone called Henry. This Henry is to Berryman as Don Juan was to Byron. He is and is not the poet, a convenient portmanteau into which may be packed whatever subjective baggage the poet wishes to take with him on the voyage. He is also sometimes called Mr Bones. This was the character in the so-called Nigger Minstrels who played the clacker-bones, and was the mouthpiece for a stream of quickfire topical repartee throughout the show as he answered back the master of ceremonies.

The spirit of this immensely popular crosstalk act (the precursor of contemporary stand-up comedians) which stunned the audience by its frankness and effrontery has been introduced into Berryman's *Songs* in their off-the-cuff manner that modulates from time to time into lyricism. He put the whole of his life into them. Here you find his father, like him a suicide, and his mother who changed her son's name from Smith to Berryman when she re-married. Here are his experiences in Cambridge, England, his marriages, colleagues, rivals, lusts, alcoholic fugues, and longings. It is the most heartening, captivating poetic performance of the post-Eliot period, even if much of it is not fully comprehensible; it is excellent that we now have it in this definitive edition.

Soapbox language

THIS IS Mark Two. Mark One appeared ten years ago, and the new volume, under the same title, is entirely new, though one or two contributors make a second bow in it. Perhaps the editors, who are both professors of English in American universities, are planning to report every decade on the state of health of the world's first and only lingua franca, and are already contemplating a volume for 2000.

That would make it a periodical, and the book reads as occasionally as any magazine; little having been done to pull it together, though it is arranged under broad sections on dialect, politics, money, special usages, the arts and what the editors call Rectitudes, which is censorship, pornography and the like. Ricks and Michaels are plainly tolerant editors, however, and they have given contributors their heads to dogmatise and pontificate at will — and why not? Language is something everyone has an opinion about, and it is far too serious a matter to be left to linguists.

The book is less about the present state of English, in consequence, than about the states of mind of two score and more people, writing in verse as well as prose and including non-academics such as Fiona Pitt-Kethley and Enoch Powell. Fortunately there is a handy glossary at the back to tell you who and what they are. So it is as good as its parts, like a magazine, and the best parts are not those where blacks speak up for black English, Irish for Irish, Jews for Jewishness or women for women; ghetto-rhetoric is tired and predictable by now, and the world is understandably

THE STATE OF THE LANGUAGE, 1990 EDITION
edited by Christopher Ricks and Leonard Michaels
Faber £17.50, 531 pages

more sceptical than it used to be about the claim that language exercises a secret hegemony, racial or gender-based, over the thoughts of mankind.

If it really did that, nobody could know that it was so, every attempt to describe it would fail and nobody would be able to escape, whereas refugees from the ghetto claim to know all about it and to have got out. So reading them is a little like spending Sunday morning in Hyde Park listening to orators who are putting a case they have been putting for years. The effect, as in Hyde Park, is highly personal and mainly interesting as a display of individual obsession.

One of the odd effects of recent critical theory, against which Alison Lurie protests acutely here, is that it has persuaded a lot of people who should know better that there is no real knowledge to be found in literature and that ideology has skewed every attempt to see human reality for what it is. Abandoning all prospect of objectivity before any argument begins makes for free-wheeling debate and a general determination to Do Your Thing. What else is there to do? If no arguments are good then there is no incentive to get one right.

Some useful information emerges, nonetheless, like Sir Randolph Quirk's reminder that 90 per cent of the world's population still knows little or no English and that the proportion is growing; Donald Davie's lively little poem on the art of reciting; Roger Scruton's case against the foibles of feministic jargon; and John Gross on the action packed life he once led editing the *TLS*.

Two great issues emerge, one publicly and the other secretively. The public issue is that some people are worried about shifts in usage and their probable causes, which include the decay of classical education, while others, often professional linguists, are not. There has never been an age, they trenchantly argue, when English was settled and fixed and there is no reason to hope that it should remain where it was or is.

That is a debate between conservatives and progressives. The secretive issue concerns whether language runs us or we it. For the past quarter-century and more the claim that language controls minds, which has its sources in pre-war Italian Marxism, has been little contested by theorists, self-contradictory though it is.

Perhaps Mark Three, if there is one, will dare to contest it. There is no serious evidence that feudal or patriarchal forms embedded in linguistic usage oppress anybody who does not choose to be oppressed, and none that language governs our lives in any sinister or despotic way. The contrary view — that people, on the whole, have the language they want — is not much heard here.

George Watson

The taxman cometh

A LAW UNTO ITSELF: POWER, POLITICS AND THE IRS
by David Burnham
Random House NY $22.50, 419 pages

DRUG DEALERS and money launderers, who have been under pressure of late, will receive little consolation from David Burnham's new book; nor will the millions of Americans spending this weekend filling in their tax returns. Readers looking for tales of corruption, malpractice and vice may be disappointed, but for those interested in playing cat and mouse with America's largest bureaucracy Mr Burnham uncovers a nasty new twist in the game.

He contends that the taxman is a huge bumbling monster, capable of trampling on innocent citizens — the book is sprinkled with examples of ordinary people whose lives have been turned into nightmare thanks to gross incompetence by the IRS. But, and here's the twist, the agency has been too unwieldy to channel its power effectively. Until now. Suddenly, computers are about to transform the IRS into an Orwellian Big Brother.

Three main points underly Burnham's thesis. First, the IRS already has enormous power, and it operates outside the normal legal process; in fact, the IRS has more teeth than the drug enforcement agency of the FBI. Secondly, despite its seemingly apolitical function of collecting taxes, the IRS has often been used for political ends. Presidents Hoover, Kennedy, and Nixon were among those who routinely sent the IRS to look for dirt on their opponents. Finally, Mr Burnham points out that the IRS is simply too big. It is plagued by the chronic bureaucratic disease — an inability to distinguish between important and trivial matters. With 123,000 analysts focused on minutiae the IRS is better placed to detect a $122 underpayment by Mrs Smith than to find a $6m bank deposit by a suspected drug trafficker. The agency simply cannot cope with its volume of data.

Burnham believes that this culmination of power and ineptitude has created a Frankenstein which is about to come to life. Computers will make it possible for the IRS to have instant access to records. It will, for the first time, be able to spot discrepancies from different sources, to match federal, state and local tax returns, to compare current versus historical data — in short, to make lots of ordinary taxpayers truly miserable.

Burnham's message may be irksome to Mrs Smith, but it is terrific news for the US Government's war on drugs. Apart from the time it framed Al Capone in 1931, the IRS has been notoriously ineffectual at tracking down criminals. But now, drugs dealers will find it difficult to stash money anywhere outside the mattress without the IRS stumbling over it.

As a good read Burnham, in attempting the heroic task of making taxes seem interesting, has failed. Notwithstanding the anecdotes on tax loopholes for brothels, his taxman emerges just as boring as the image he occupies in the public mind. But the book is painstakingly researched, coherently written — and is worth reading just to find out if there's anywhere safe to leave your cash.

Linda Bilmes

New York Saleroom

How to spend conspicuously

WHEN THE Americans talk about "conspicuous consumption," they mean it. Take the case of Ronald Lauder. This is Estée's young son who last year spent unprecedented millions of his mother's cosmetic fortune on a ludicrously silly campaign to have himself elected Mayor of New York. When his bid failed what did the man do to hide his shame and embarrassment? Slink off to his country retreat, take a long trip abroad, or devote himself to good works? Not at all: he went shopping, or to be more specific, "antiqueing."

This was the time of the International Antique Dealers Show in New York, a huge affair thronged with everyone who is anyone, and there in the thick of it on the Saturday morning was Ronald Lauder. Beaming his way from stand to stand, the failed mayoral candidate bought a 19th century bronze group of wrestlers from the Burford dealer, David Pickup. At that stage perhaps he needed it; but, in common with his compatriots, what he needed most was to spend and, what is more, to be seen spending.

This factor accounts for the extraordinary success of the New York auction houses. Few of the new American collectors would want to discreetly make their way to the backrooms of Wildenstein or Colnaghi. For these people, collecting is a public pursuit like taking a box at the opera. When they buy at Sotheby's or Christie's other people see them doing it and that is what they want. The same happens at any of the plethora of art fairs which have been established in the US in recent years: these are fashionable events where the discerning collector can be guaranteed a total lack of privacy. For that reason they are enormously popular.

In New York alone there is The International Antique Dealers Show, The Winter Antiques Show, The Works on Paper Show, The Armory Antiques Show, The Fall Antiques Show, — and that is just for starters. All of these are by way of being the dealers' answer to the auction house boom. This is because they attract media attention and large crowds. They also offer a large quantity of artworks under one roof so that buyers have a wide choice with little of the intimidation that many collectors feel in small galleries. Furthermore the shows provide the dealers with the opportunity to meet new clients: lots of new clients.

For example, in the three days of The Art Show last year when $30m worth of art was sold, 17,000 people came by — a number that even a Madison Avenue gallery would not hope to attract in a whole year. The Art Show, which is organised by the Art Dealers Association of America, was inaugurated in 1989. Held at the Seventh Regiment Armory on Park Avenue, it is to take place annually and the second one runs from next Thursday until the following Monday.

The members of the Art Dealers Association deal primarily in paintings, drawings, sculpture, graphics, and photographs and this is what one can expect to find on the stands of any of the 64 dealers participating. While most comparable shows in the US exhibit contemporary art only, The Art Show boasts a display of artworks spanning six centuries.

There will be Old Masters at Didier Aaron, Colnaghi, Newhouse, Richard Feigen, and Rosenberg & Stiebel; Master Drawings at Janie C. Lee, R M Light & Co. E V Thaw, and David Tunick; American Masterworks at Kennedy Galleries, Berry Hill, Coe Kerr, and Richard York; and Contemporary Art on any number of stands including Holly Solomon, Greenberg, Pace, Knoedler, Sidney Janis and Andre Emmerich. Acqua Vella will have paintings by Renoir, Picasso, Matisse, and Fantin Latour while Barbara Mathes intends showing Cézanne, Ernst, and Léger. Russian works will be featured by several dealers: Leonard Hutton, Rachel Adler and Rosa Esman among them.

For the would-be collector who happens to breeze down Park Avenue next week there will be panel discussions on "How to Collect Contemporary Art," "How to Collect Old Masters" and "How to Collect American Art." Sadly there is no panel discussion on "How to Collect Conspicuously" but that can be studied when one is inside. Admission is $10 and as in the case of all such shows the proceeds go to a worthy charity, in this case the Henry Street Settlement.

Last year's Art Show received rave reviews and there is every reason to believe that the standard will, if anything, be higher this time round. One of the effects of showing collectively in this way is that dealers try to outdo each other in the quality of the work they offer. This means that the public see the best whereas it is often the case that a dealer will only show really special items to a select few of his clients. Pamela Freund of the Rosa Esman Gallery puts it succinctly when she says "This show is upscale: museum quality. One really sees some wonderful things and out comes a lot of back-room material. This is no shopping mall." Rachel Adler, who will include drawings by Le Corbusier, Klee, and Léger on her stand, makes the point that she and many other dealers have been saving good things all year for next week's show: "Last year, no one knew what was going to happen and it was terrific" she says. "The best galleries in the US were there and they showed their best."

And is one likely to find Ronald Lauder conspicuous among the attendants next week? Most certainly: he is co-chairman of the whole event.

Homan Potterton

A theatre spurned

Antony Thorncroft on the continuing RSC/Barbican saga

DETTA O'CATHAIN, the new boss at the Barbican, was very cross indeed last week — and she is not much happier today. With hardly a moment's notice she learned that her best, but naughtiest, tenant, Terry Hands of the Royal Shakespeare Company, was closing down the Barbican Theatre (and the Pit) for four months over Christmas. It may save the beleaguered RSC £1.3m, but it will deprive Detta O'Cathain's shops, bars, cafés, and car parks, etc, in the Barbican of at least £100,000 in revenue.

Hardly had she calmed down when Adrian Noble, who takes over from Hands as artistic director of the RSC next year, announced that he thoroughly disliked the Barbican and that if it did not smarten up its ideas he would take the RSC elsewhere. He was particularly critical of the front of house staff, the atrocious lighting in the subterranean Green Room and the depressing back stage facilities for actors also attracted his disapproval.

Since Detta O'Cathain's first decision after taking over six weeks ago was to send all the Barbican staff on "customer care" workshops, Noble's complaint could hardly have been less timely. Despite her attempts to stay charming and reasonable she seems to be quickly acquiring the City of London's exasperation with the RSC.

It is not hard to sympathise with the City Fathers. Much against the Philistine instincts of many of them the City was persuaded, around 1960, to make a rare "gift to the nation." At its own, £150m, expense, an arts complex was built into the post-War development for the Square Mile. In theory the Barbican would pay for itself, with rent from exhibitions and conferences covering the costs of the concert hall, two theatres and the art gallery. In practice it has not worked out and the City has to find a couple of million pounds each year. to keep the Barbican in business.

The RSC, seeking a permanent London home, was lured in, with a peppercorn rent of £70,000 and subsidised utilities for 25 years. But during its eight year residency the RSC has proved a petulant — and expensive — tenant. Two years ago the City bailed it out of one financial mess with a £500,000 donation. Today the RSC is in even worse financial straits, with an accumulated deficit of £2.9m. It seems an odd moment to upset the City.

For Detta O'Cathain, a row with the RSC is the last thing she wants. Joining the Barbican from the Milk Marketing Board her first task is to raise morale, to smarten up the place, and to market the Barbican as one big, but happy, arts centre. She wants cross fertilisation, with the audience for an LSO concert attracted by a forthcoming play at the Pit and vice versa. With the theatres closed for over four months from November the place loses 120,000 potential customers, which will clip its vivacity.

Trevor Humphries

Chief protagonists: Detta O'Cathain, new boss at the Barbican and Adrian Noble, who takes over from Terry Hands

She has learned quickly what her predecessor, Henry Wrong, surely told her: that the RSC was the awkward member of the squad. While the residency of the London Symphony Orchestra in the concert hall seems to be quite harmonious, the RSC has never been conspicuous for team spirit. The anticipated joint ventures between theatre, concert hall and art gallery rarely came off. The major Barbican festivals, such as the Hungarian in the autumn, took place without the whiff of a Magyar accent in the Barbican theatre. Detta O'Cathain confesses "I don't know what I can do about it."

There seems to be a general ignorance about the terms of the RSC's lease. Apparently Terry Hands can close the theatres — just like that. But Detta O'Cathain hopes that she can ease another production in there while the RSC is economising. Four commercial producers have already approached her with offers. She brazenly hopes for a more populist Christmas show in the Barbican than the RSC, committed by its charter to Shakespeare and the classics can contemplate. She likes the idea of *Peter Pan*, missing from London last Christmas and the subject of some of Hands most bitter musings: "I seem to spend all my time planning another production of *Peter Pan* just to keep the money coming in so that I can plan another production of *Peter Pan*."

If an independent producer wanted to take over the Barbican next Christmas, he would get the full backing of the Barbican administrators and it is hard to see how Hands could not go along. His back stage staff of 75 would have to be paid, but since he can only offer them 50 per cent of their salaries during the closure they should welcome the booking. Even when paying the RSC for a short term lease the get-in costs can hardly exceed £80,000. It might be a bad omen — non-RSC actors in the Barbican — but with Detta O'Cathain committed to the idea of a more user-friendly Barbican, a twilight Christmas is unthinkable.

Detta O'Cathain is obviously upset at Adrian Noble rubbishing an institution she has just been appointed to sell to the world. But the pressure on both sides to improve their relationship is immense. The RSC brings the Barbican tremendous prestige and, for all its faults, the Barbican is probably the best, and certainly the cheapest, home in London for the Company.

For the next few years the RSC will be in thrall to its financial crisis. It can plead extenuating circumstances — it was subjected to a thorough tooth combing by Government accountants in 1984 and came out of it well. It was promised an uplift in its funding which never came. It plays to over a million happy customers a year. It averages 75 per cent capacity which, although well below the 88 per cent of the recent past, is way above West End productions. It earns two thirds of its revenue, more than its subsidised rivals, and its grant is less than that of any other of the Big Four national flagship arts companies.

But the RSC is in danger of sinking self-righteously beneath the waves. However good its case the Arts Council will not add to its 11 per cent rise (to a £6m grant) for 1990-91, nor will the Minister for the Arts rescue the Company. Corporate sponsors, notably the Royal Insurance, will probably sign up for another year at least, but do not like the public bickering.

Adrian Noble will have to confront the obvious questions — why spend £200,000 on a highly acclaimed production of *The Master Builder* and then perform it for just 50 performances; why mount a superbly cast *Othello* and play it in the tiniest of venues; why have expensive doubling up of actors and technicians in both London and Stratford. Why critical success and commercial failure?

While he wrestles with the financial problems Adrian Noble should consider mending bridges with the City, which has been generous in the past. The RSC surely needs the Barbican more than the Barbican needs the RSC. Its artistic director, Humphrey Burton, must be excited by the thought of a vacated Barbican around 1993 when the Royal Opera House, Covent Garden and Glyndebourne might both be closed for re-building.

The best omens for the future are that Noble has recruited as his right hand persons Michael Attenborough, to advise on marketing, and Genista McIntosh on planning. Attenborough has been successful in the commercial theatre and will be heading the discussions about the future with the Barbican. McIntosh has been the RSC co-ordinator with the Barbican in recent months and is keen on joint initiatives: the RSC has already committed itself to a Mozart related play during the composer's bicentennial celebrations next year.

Geoffrey Cass, chairman of the RSC, is a natural conciliator who this week was as emollient as Noble was combative. With a will to succeed on both sides the last ten days may be seen as the low point in the history of the RSC at the Barbican; if egos are already too bruised they will be seen as the start of the sad divorce between two entrenched institutions.

Edward Bawden's "Riviera" wallpaper, 1929

Patterns pasted on the wall

Susan Moore on the ups and downs of British wallpaper design

"SUPPOSING WE covered the walls with white chromium plating and had natural sheepskin carpet," mused Mrs Beaver, the upwardly-mobile interior decorator in *A Handful of Dust*. What else was one to do with the monstrous Victorian Hetton Abbey in the 1930s? What no self-respecting member — or aspirant — to the smart set dreamt of doing was introducing colour or, horror of horrors, pattern, to their walls.

Pattern — an outrage on good taste, according to Norman Shaw — was acceptable in chintz and Persian carpets. Walls, preferably painted or distempered, were very definitely plain and universally pale. The decorator Syrie Maugham (Mrs Somerset, but not for long) created an all-white dining room that was copied for a decade — white drapes, white furniture, white ceramics, white flowers, and even white birds. From the evidence of the newly proliferating glossy magazines, wallpaper manufacturers went out of business. In 1935 alone, however, they sold one million rolls.

As one architectural historian gleefully recounted a decade later, it was the people who had never heard of Shaw or Lutyens or Voysey who kept the wallpaper industry alive. People with a robust taste for ornament, regardless of highbrow Taste. Modern British wallpaper is a popular art, and one engagingly told in the catalogue and loan exhibition of papers from the Silver Studio Collection 1930-60 lately at Orleans House Gallery, Twickenham, now moving to the Whitworth Art Gallery (March 16-April 28) and York City Art Gallery, October 6-November 4. (A US tour is planned for 1991.)

The Roaring Twenties favoured bold, clashing colours — the cult inspired no doubt by Leon Bakst's brilliant sets for the Ballet Russes which took Europe by storm. "Anglo-Chinese" pagodas, magnolias and exotic birds proliferate, often against black backgrounds. Then came the Modernist styles of the Thirties, Bauhaus-derived and severely geometric. These "Cubist" patterns came in subdued colours known as "Autumn Tints." Papers were used with lavish borders and friezes to articulate the wall, and even with large appliqué scenic effects. You could create your own flocks of birds, forests or fleets of galleons. Coal fires demanded that downstairs rooms be decorated at least every three years, and the cheapness of the papers allowed for regular cheery updating.

Since there was no middle-class demand for wallpaper, manufacturers did not bother to consult artists or top designers. The late Edward Bawden's contribution to the art is therefore all the more remarkable. Bawden was enthused by an early and uncharacteristic William Morris Daisy wallpaper he saw in 1924. Two years later, his own designs went into production with the Curwen Press. The printing purposely retained the uneven quality of the original lino-cuts; the folksy effect, recalling early wood-cuts, is quite unlike any other wallpaper. Fish in bell-shape *ukiyo-e* waves swim across bathrooms, Classical heads are glimpsed between drapery folds. Bawden's pictorial papers are more like murals than backdrops to pictures.

Bawden was one of the few artists designing wallpaper in the inter-war years, a period in which textile design flourished. That changed with the Exhibition of Historical and British Wallpapers at the Suffolk Galleries in 1945. This cleverly orchestrated PR event transformed the public perception of wallpaper. Room sets of modern papers were designed by Cecil Beaton and Sacheverell Sitwell wrote the catalogue introduction. Artists such as Laurence Scarfe, Graham Sutherland, and Clifford and Rosemary Ellis were asked to submit wallpaper designs.

The movement for progressive design reform had been powerful enough to attract artists (though evidence suggests that only a few wallpaper designs were produced). More extraordinary, the public was convinced into a commitment to modern design, and responded enthusiastically after paper rationing was over. The desire to have a "contemporary" home in the 1950s was, the catalogue informs us, akin to having an "artistic" home in the 1890s.

1950s design at its best is vigorous and boldly coloured (though it is still impossible to like "seashore" bathrooms). In middle-class homes, textured porridge on the walls gave way to fresh Regency Revival patterns, and to originality. In the "Palladio" papers of 1958, Robert Nicholson offers a draughtsman's interpretation of Classical sculpture arcades, in black, grey, terracotta and ochre; David Gentleman, Staffordshire figures in stone niches. Many papers have been borrowed from the artists' own collections.

This absorbing journey through our recent past is concluded by Peggy Angus, a contemporary of Bawden and Ravilious at the RCA. Particularly impressive is her bold "Corn Stooks," printed against a deep blue ground. She is still producing bespoke papers, printing with lino-cuts over emulsioned lining paper.

Records

Music fused with drama

THE THREE works by Judith Weir brought together on a single disc are the next best thing to having a complete recording of *A Night at the Chinese Opera*. They are music theatre in the truest sense of the term, works that require no dramatic trappings but yet fuse music and narrative drama in a way that, since her full-scale opera, we have come to recognise very much as Weir's own.

One of the pieces here, *The Consolations of Scholarship* (1985) is a direct study for the second act of the *Chinese Opera* completed two years later; it uses the same Yuan play, "The Orphan of Chao," as the opera-within-the-opera at the centre of her stage work and presents the narrative in the same deliciously wry way. The singer is required to assume several characters in the course of its 20-minutes; the scenes are crisply edited, with a few beguiling instrumental interludes to break the sequence. It is a warm and witty piece, perhaps suffering now from the knowledge of the larger, more profound work which it prefigured, and imaginatively sung by Linda Hirst.

King Harald's Saga from 1979 is described as a "Grand Opera in Three Acts for solo soprano;" the singer again takes several roles (including that of the Norwegian army!) to narrate the story of the Norwegian invasion of England in the 11th century. It is an even greater miracle of compression than *Consolations*; no scene last longer than a minute, and the demands upon the soloist — Jane Manning here — are even severer.

The *Missa del Cid* is more recent (1988), and began life in conjunction with a BBC television film commissioned from Weir. It's designated as a "music drama" and combines the Latin Ordinary of the mass with descriptions of the epic exploits of the Moorish El Cid in the 13th century. An evangelist supplies the narrative descriptions, and there is again a subtle play of perspectives, of blurring the distinctions between statement and commentary. Of the three works here the *Missa* seems to have the least direct connection with Weir's stage works, but nevertheless is clearly a product of the same deeply original sensibility, taking on technical challenges and coming up with solutions that seem both totally fresh and utterly simple.

In Trevor Wishart's *Vox* cycle, first heard complete at the Proms in 1988, the drama is interiorised, and the composer's intentions — "I wanted to deal with many different aspects of what it means to be 'human', using the human voice as the focus for exploration" — turn into a detailed examination of what have come to be known as extended vocal techniques, and their cross-over with electro-acoustic music. Electric Phoenix has been associated with the project since Wishart began it in 1980, and thus the sound of the music is very much what one has come to associate with their performances; Wishart's musical resources have always ranged widely, and here the involvement of the vocal group has perhaps focussed down his concerns, so that the palette is less richly coloured than one might have expected.

There is also an explicit programme: *Vox 1* deals with a bundle of creation myths, and eventually leads in *Vox 4* to the disintegration of human society, while *Vox 2* and *Vox 3* contemplate the natural and intellectual worlds respectively; *Vox 5* introduces another cultural strand, "the voice of Shiva," while the "provisional" finale as Wishart terms it, *Vox 6*, is "a contemporary interpretation of Shiva's dance." How much of that cultural luggage comes over in performance seems to me uncertain; the ear is drawn into the subtleties of the sound complexes and the liaisons of natural and electronic sounds, without absorbing the verbal content. The last section is a splendid surprise — the music switches into 1980s disco mode, complete with synthesiser rhythms and sickly sweet harmonies — whether Wishart will be content with such an ending, or will take the cycle into further areas of musical and socio-political comment remains to be seen.

The reissue of many of the most significant Tippett recordings of the 1970s and early '80s as a celebration of his 85th birthday is a feast of riches, and a splendid example of co-operation within the Polygram group: recordings that first appeared on both Decca and Philips labels have now been brought together. All the performances are definitive; though a new generation of Tippett conductors has lately come to prominence, Colin Davis's accounts of the first three symphonies seem to me still absolutely central to the works, though how well the music survives, especially the Third and Fourth Symphonies is a matter of personal judgement. The string quartets appear without the Fourth unfortunately, although the Lindsay performances remain buoyantly attractive, and *King Priam* re-emerges as the savage masterpiece it is, in a performance that is compelling in every particular. It is hard to think of a better, or more needed opera recording from the last decade.

Weir: Three Operas. Linda Hirst, Jane Manning, Lontano, Combattimento. Novello Records NVLCD109
Wishart: *Vox*. Electric Phoenix. Virgin Classics VC 791108-2
Tippett: Four Symphonies. Heather Harper, London Symphony/Davis, Chicago Symphony/Solti. Decca 425 646-2 (three CDs)
Tippett: String Quartets Nos 1-3. Lindsay Quartet. Decca
Tippett: *King Priam*. Bailey, Harper, Allen, Palmer, Langridge, Minton, Tear, London Sinfonietta/Atherton. Decca 414 241-2 (two CDs)

Andrew Clements

Radio

Being practical with brains

THERE IS to be a new series of four *Radio 4 Debates* on Sundays, dealing with matters of current interest. The first, in the Inner Temple Hall last Sunday, was on the motion that "Our system of justice serves the interest of the strong." Debates make first-class radio, one wants to take part oneself and continue afterwards. This one, contended by barristers, judges and students on equal terms, Brian Redhead in the chair, was entertaining and enlightening. The motion was passed by 84 votes to 50, with two abstentions.

At the end of the second instalment of Radio 4's serial *That Hideous Strength*, we meet the Head of N.I.C.E., who is literally a head, from a guillotined man, with the brain preserved to function even better than in life. I shall not hear any more of this play, which, despite the current regard for the author, C.S.Lewis, seems to me pretty silly. But the idea of using a free brain in a practical way has been interestingly suggested in Radio 3's *Building the Enchanted Loom* on the last two Sundays.

This is not about using a dead man's brains, but about the possible construction of machines capable of thinking — artificial brains. This is based on the development of "neural networks" such as already exist, circuits in which neurons are connected up in imitation of the cells in the brain. As the brain contains some millions of cells, each of which may have up to 100,000 connections, the artificial brain could be massive, about half the size of North America in one judgment.

Networks exist that can, for example, assess the risk of loan applications, in which uncomplicated findings only are involved. But we know nothing of how our brains reach such concepts as love, beauty, judgment. If it were possible to construct brains with this sort of ability, would they have minds? Would they have rights? The problem shifts from the physicist and the brain-surgeon to the philosopher. But none of the scientists on Professor John Taylor's programs reckoned that there could be a "thinking machine" within a decade, or even a century.

Smiley's People, in seven parts on *Radio 4* on Tuesdays and at lunchtime on Thursdays, bids fair to be a more convincing serial than the one I have just dismissed. We begin with the discovery of a dead agent on Hampstead Heath. No simple police job; George Smiley (Bernard Hepton, an old member of the Circus) is called out of bed at midnight, although he has retired. The corpse was a former agent, Vladimir, once a Russian general; and Mostyn, a younger member of the Circus, reveals that Vladimir had telephoned three times during the day, asking for Smiley by his correct codename.

He had information of maximum security, he told Mostyn (Stephen Garlick, sounding about 20), and two proofs. "It concerns the Sandman," he said; but that sentence was cut out of the tape. The Sandman is Karla, Smiley's old antagonist. What is the secret of the duty-free Gauloises, missing from Vladimir's flat, found in a treetrunk on the Heath? The situations are good spy routine, the characters are familiar to Le Carré fans, Hepton is a convincing Smiley. The adaptor is René Basilico, the director John Fawcett Wilson.

And while we are in serial country, who should pop up on Radio 4 on Wednesday but Dick Barton? Not in one of the daily episodes that 15 million people heard from 6.45 to seven, though only two million when it ran 15 minutes earlier; this was only a tray of souvenirs, all the Dick Bartons — Noel Johnson, Duncan Carse, Gordon Davies — and the director, Neil Tuson, really the genius of the whole affair. When I was in the Army and the lads were thinking about demob, a chap came out to Germany to solicit them for the Police. "Not a lot of rubbish like Dick Barton," he said. A wrong approach, if you ask me. Dick Barton (he was nearly Bill Barton) was everybody's hero.

B.A. Young

ARTS

Our critics on exhibitions and the Hamburg Ballet in Paris, and music in Monte Carlo

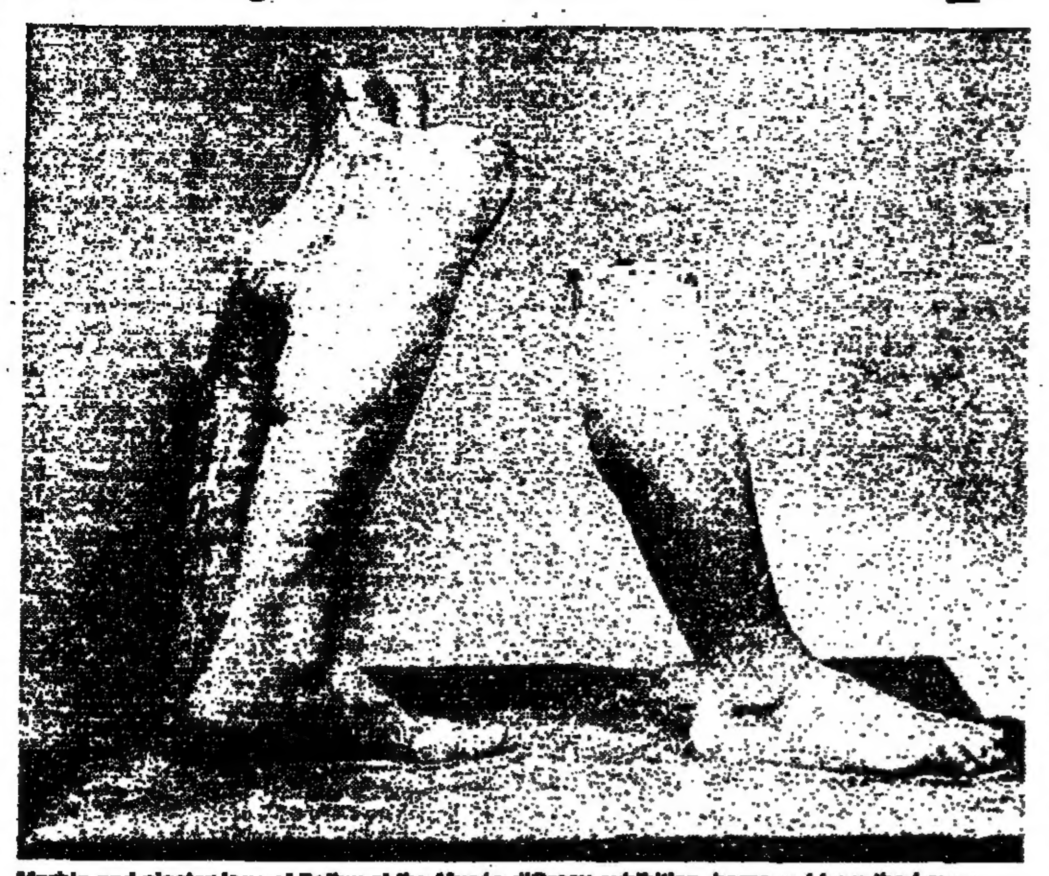
The body in bits and pieces

"LE CORPS en morceaux," which has lately opened at the Musée d'Orsay (until June 3, then on to Frankfurt: sponsored by la Fondation Electricité de France), is one of those exhibitions based on so obvious and intriguing an idea that the only wonder is it has not been done before. The title translates quite literally as "the body in pieces," and with Rodin's work at its heart, picks up and dilates upon that aspect of his practice, which was to consider the several parts of the body as discrete images in themselves.

It is, of course, an immediate practical necessity for any sculptor who works principally as a modeller in clay, to break down each new work into convenient lumps and portions in the process of preparing a mould for casting into plaster, and so into bronze. Any working studio is bound to be littered with such material, but Rodin was, perhaps, the first great artist to see the creative opportunity it presented.

Often improvising new compositions from the offcuts and fall-out from his current production, he was very much the surrealist *avant la lettre* and some of the most engaging works in this show are these small maquette assemblages, with heads, bodies, legs of other groups thrown afresh and bizarrely together. The particular piece of the head of Rodin's colleague and mistress, Camille Claudel, enclosed by the larger, protective hand of Pierre de Wissant, one of the Burghers Calais, is as true and, given her tragic history, as poignant a work of art as anything here.

But to acknowledge Rodin's central place and the quality of his particular response is not quite to allow him an unique originality. In this, as in all aspects of art, the context is everything. The wider purpose of this exhibition is to set that context and to show just how many artists were at it, and in so many senses always had been. If we come out of it wishing that the story had been



Marble and plaster legs of Pollux at the Musée d'Orsay exhibition, borrowed from the Louvre

brought further into the 20th century, at least to Dada and Surrealism, it is only to wish for more of a good thing. The historical antecedents and contemporary ramifications and parallels could hardly have been more thoroughly established.

The show begins with medieval reliquaries, each the image of the supposed saintly member, along with the more vulgar ex voto offerings of more recent times, familiar enough even now in Greece, India or Mexico, images of simple faith in hope of a cure. Then come the macabre medical wax-works of the 19th century, effigies of a disconcertingly persuasive unreality, the bride stripped to the bone by her anatomists. The severed head, too, has its place, and quite as gruesome it is, whether idealised through art as a John the Baptist or presented more practically and immediate in its interest, but one of so many victims of the guillotine. This is no show to make us forget we are in France.

Heads, bodies, hands, feet, legs, shoulders, each is sectioned, as it were, and with every one it is borne in on us that what we had come to take as just the mundane conventions of painting, sculpture and photography – the torso, the bust, the detail and the study – might well merit other more ambiguous and complex readings.

With the sections on the antique, the archeological retrieval of the classical past and its presentation as example and ideal, we come to the main substance of the show. Again we confront this curious opposition between the elevated and the practical, the lofty achievement of art and its anatomisation into its useful parts. The arrangement is not chronological, and never exclusive in its treatment of its theme of the moment. In this respect, the section on the feminine torso stands for the whole, bringing together works of all periods and types to further its argument. Maillol, Degas, Claudel and Brancusi figure as prominently as Rodin, Hellenistic Roman copies sit with Archipenko and Bourdelle, a Delacroix copy after Rodin and a Cézanne study, photographs by de Meyer, Steiglitz, Nègre and Eugène.

In the end, after all such shows, even with so potent and fascinating a theme, we come back to the works themselves as individual pieces, to be savoured for their particular qualities. This show is full of them, and my one real complaint is of a general installation at times so aggressively theatrical that too often we cannot see them properly. To put dark bronzes up against a light is only to make them invisible from behind – a fault easy enough to moderate.

Given such a fine show and its particular matter, the coincidence with the small show of Leonardo da Vinci's studies of drapery at the Louvre (until February 26: sponsored by la Fondation Credit National) is hard to resist while it lasts. For here at once is the perfect precedent and full, unselfconscious realisation of "le corps en morceaux." Drawn with an exquisite focus of attention, by metal point upon finely-prepared linen, these images of what is essentially so transient a subject grow curiously more monumental the more we look at them.

There is no character established, for few heads, let alone faces are indicated by more than a stroke, most left unspoken. The clothes fall and spread across knees and hips, held loosely perhaps by an arm at the waist. And yet quietly the form emerges from within, the gesture, the turn of the figure, the kneeling, sitting, standing presence. It is for the art historians to argue the references and sources, for us simply to contemplate these lovely, extraordinary things. Male or female? It hardly matters, but "how sweetly flows/ That liquefaction of her clothes." Anyone in Paris this week has an opportunity too good to miss.

William Packer

Drama turned to dance

GARNIER'S GREAT palace remains the home for the Opéra Ballet, but is now also Paris's house for dance, with Paul Taylor, Cristina Hoyos, Béjart and the Kirov among this year's guests. It is a marvellous development that makes Paris a dance centre unrivalled elsewhere for the variety of its attractions, since the Théâtre de la Ville, the Comique and the Théâtre de Champs Elysées can and do house dance as well. (London's miserably few locations exactly explain the unenterprising state of our balletic experience.)

This week the Hamburg Ballet is installed in the Palais Garnier with John Neumeier's recent *Peer Gynt*, whose specially commissioned score is by Alfred Schnittke. Neumeier has, during 20 years of choreographic creation, found a continuing source of inspiration in the examination of masterpieces. He has made ballets to five of Mahler's symphonies, to the Saint Matthew Passion, has reworked the Chaikovsky canon, turned to Shakespeare, and produced glosses on his chosen texts that can delight or infuriate by their intellectual vivacity.

Peer Gynt is a notoriously difficult play to produce, especially in its fantastic elements. For Neumeier, a long-time admirer of the piece, the task had been to find a means of transposition that will turn drama to dance without too much literalism. The result is a spectacle – as much theatrical as choreographic – which finds fascinating means of illustrating Ibsen's themes about human destiny but which fails, for me, to provide any movement as wild and intoxicating as Peer's (and Ibsen's) own language.

Neumeier has solved certain production problems by editing and reshaping the original narrative. Two and a half pages of programme notes give insights into Neumeier's procedures – this used to be called "talking a good ballet" – and comments on the cyclic nature of the staging, the invocation of Theosophic ideas, the duplication of Peer's psyche by seven dancers (one of whom also plays his beloved, Solveig), prepare us for a taxing time ahead.

The first part of the evening, lasting some 90 minutes, contains the meat of the action – Peer involved with his mother, Aase; with Solveig; and with various aspects of the *feminine* in his life. Neumeier translates the great journey on which Ibsen sends his hero into a theatrical career, so dazzling in its success that Peer becomes a film star whose final role is that Emperor of the World which Ibsen called him. (The action is, throughout, updated, with singularly hideous modern costuming.) At the last, megalomania drives him mad. With the staging's second part Peer is Everyman, returned to Norway, and reconciled in spirit with his own identity and with Solveig.

In its first scenes, the ballet offers hectic contrasts between the world as Peer experiences it – a peasant wedding; an incident with some rather modish-looking trolls which I thought was taking place in a louche bar; the usual show-biz capers of theatre and cinema – and those more intense passages in which Peer is with Aase (a fine performance by Anna Grabka) and the beautifully innocent Solveig created by Gigi Hyatt. And it must be here noted that it is the presence of Ivan Liska as Peer which holds the staging together. Liska is a dancer of extraordinary presence, able to command our attention with the least gesture, playing – and dancing – with total expressive clarity. These columns have paid tribute to him over the past decade, and he remains one of the truest dance artists of our time.

Gigi Hyatt and Ivan Liska in John Neumeier's new 'Peer Gynt' at the Palais Garnier

Liska's artistry brings an austere dignity to the Peer of the final scenes, where Neumeier's sense of theatre unites the threads of the staging. Liska shows us an essence of the character, purged by experience. The stage has become a bare grey limbo across which process in slowest motion a cohort of grey-suited and trilbied men, who are Everyman Peer's other selves. The blind Solveig undresses Peer, laying his clothes like carapace on the ground, and Peer then removes Soveig's dress in a similar ritual. A last duet is matched and echoed by the rest of the cast in couples. It is the power of this image – of no especial choreographic elevation, but a stunning visual coup – which lingers in the mind and makes the rest of the production seem over-emphatic, over-stuffed with expressionistic effects.

Neumeier's *Peer Gynt* seeks to probe into the intellectual problems of Ibsen's poetic text, but such commentary is more a literary than a choreographic exercise, and dance often takes a second place to production. The Schnittke score is eclectic, strongly scored; Jurgen Rose's designs of painted cloths that evoke Norwegian scenery are fine, his costuming less so since most modern dress on stage looks as if it were tailored by Oxfam. The Hamburg company's performances are, as always, dedicated. And Ivan Liska's Peer must surely stand comparison with any in the theatre.

Clement Crisp

A singer-actress of rare quality

JULIA MIGENES, protagonist in the Francesco Rosi film of *Carmen* and mainstay of the rather dim television series *High Cs and Tiaras*, is a *singing*-actress of rare quality. Like her sister-North-Americans Maria Ewing and Teresa Stratas, she has *jolie-laide* magnetism in abundance, matched by a soprano of protean gifts and wide compass, not "perfect," perhaps, but bravely and skilfully used.

Other countries have seen her Lulu, Salome and *Hoffmann* incarnations. In Britain we have had comparatively little – the film-work mentioned above and the Royal Opera's exceedingly unhappy 1987 *Manon*, all of which might lead people to underrate her many, varied and subtle talents. After a visit to the new Monte Carlo production of Poulenc's *La Voix humaine* (played in a well-balanced double bill with Ravel's *L'Heure espagnole*), I myself am no longer in any such danger.

The Poulenc-Cocteau monodrama – a woman bidding her unseen lover farewell in the course of a lengthy and frequently interrupted telephone call – is a tricky proposition. The dangers of sophisticated triviality are manifold: over-played, the drama can veer wildly in the direction of soap opera; too gently treated, it can seem thin gruel indeed.

Miss Migenes, superbly partnered by the conductor, Jan Latham-Koenig and the Monte Carlo orchestra, steered the proper course with wonderful sureness of touch. Every word was audible (by no means always the case) – and, more than that, tuned and shaded from within the language and the idiom by a voice of clean cut, "personal" stamp, and plentiful colour resources. As it is above all the words which determine (sometimes elliptically) the character of Poulenc's finely-patterned fabric of near-speech, arioso and brief lyrical outburst, the effect of the soprano's and conductor's joint focus on the text was to lace the ear to the stage with extraordinary insistence.

The eye followed willingly. Placed – by the producer (and quondam film director) Peter Medak and designers Richard MacDonald (sets) and Ruth Myers (costumes) – amid vestigial art-nouveau props, dressed in a mass of tight Afro curls and cream silk, she created a visual frame of palpable (but never overstated) sensuousness for her declamation: beautiful long hands caressing the telephone, movements of long-lined elegance, a face of exotic fascination drawn taut by irrational hope and intense pain. By the end of the performance, the boundaries between the curious hieratic gravity of the music and the singer's delivery had been dissolved: one was utterly spellbound.

This was a marvellous experience. In the swagged, gilt-encrusted 500-seater Salle Garnier, with its excellent acoustics and perfect relationship between auditorium and stage, it was a privileged one. The Ravel masterpiece was given in a nimble, witty production by Helmut Polixa (borrowed from the Netherlands Opera) and sung, quite brilliantly, by a quintet four-fifths French (Magali Damonte, Léonard Pezzino, Michel Sénéchal, Jean-Philippe Courtis; the American Ramiro, Malcolm Walker, is a French resident). The pleasures of the work and those of the theatre were conjoined a second time.

Opera in Monte Carlo is a curious affair. Profits from the Casino (in which the Salle Garnier is housed) are poured into the opera company, which keeps seat-prices down, and which funds intimate, expertly balanced presentations such as these. The audience is furred, jewelled and (on the evidence of this evening alone) amazingly unresponsive. The theatre itself, where important Massenet and Fauré premieres took place, is a place of pilgrimage for any serious student of French opera.

Max Loppert

British offering: Iain Glen in 'Silent Scream'

America leads the pack

Nigel Andrews reports at half time from the Berlin Film Festival

THERE IS one big difference between Utopias and Distopias. Nightmare societies can be born overnight: which is the time it took to make the Berlin Wall unbreachable in 1961. Dream societies take pain and patience to create. The Wall is still visible from the air as one flies into Berlin for the 40th film festival, even though the media-fed imagination had spun visions of a 30-mile-long pile of graffiti'd rubble. Nor can one tell East Germans from West among the pedestrians thronging the Ku'damm. No one carries helpful labels saying "Refugee from 40 years of Communist oppression."

Same outward city; only the inner being is slowly changing. And although the Film Festival has made a token dart over the wall, showing movies at three East Berlin cinemas, the startling feature of this year's competition is the number of American films. One selection committee member, German director Helma Saunders-Brahms, stormed out of a pre-festival plenum complaining that Berlin chief Moritz de Hadeln's choosing of eight US films in a competition total of 30 – in this year of all years – was a case of licking a portion of Hollywood anatomy usually reserved for sitting on.

My feeling is that you cannot legislate for even-handedness at a film festival even in a year like 1990. In an age when only Hollywood is making good films in large numbers, the more we get the better. Would *you* prefer an unalleviated diet of movies like Russia's *The Guard* (yawny tale of a convict transport train shot in eye-torturing monochrome); France's *La Vengeance d'une Femme* (Isabel Huppert in a soap opera of sexual disillusionment that has one reaching for the rinse-cycle button); or even East Germany's endearing but cornball *Coming Out*, the country's first film about gay life. (Bravely tried; keep trying.)

These blips apart, it has been America all the way. *Steel Magnolias* gala-opened the festival and then exploded on the other side of the wall. (Sally Fields to East Berliners: "Watching you laugh and cry has been the most rewarding work of my career.") New films by Woody Allen and Oliver Stone are being threaded onto projectors as I speak. And American cinema has even claimed our own finest sons, with Karel Reisz's *Everybody Wins* and Roland Joffe's *Shadow Makers* both wearing "Made in USA" labels.

Of all these Stateside offerings, the two most modest are the best. *Driving Miss Daisy* outshines by about 1,000 watts the Pullitzer Prize play by Alfred Uhry on which it is based (by Uhry). The film does not so much "open out" the original as open it in. Director Bruce Beresford (of *Tender Mercies*) conjures sweetly-tuned performances from Jessica Tandy and Morgan Freeman as the crusty Southern lady and her black chauffeur, who age into friendship through the race turmoils of the 1960s and '70s. Both this and the new improved Woody Allen, *Crimes and Misdemeanours* – reported on by me from Hollywood – opens soon in Britain. More then.

Likewise the other American films. Enough to note here that Stone's magnum opus about Vietnam *Born on the 4th of July* struck me (in all senses) as more sledge hammer cinema than subtle or profound war statement. But it may still win the Golden Bear (like *Platoon*); Berlin juries love the spectacle of America hitting itself over the head. Meanwhile Reisz and Joffe's films show the trouble British directors can get into when transplanting their socio-political consciences abroad. *Shadow Makers* dramatises the invention of the atom bomb and has Paul Newman and others tussling with a tendentious script. And *Everybody Wins*, written by Arthur Miller, seems like yesterday's conspiracy movie. Nick Nolte and Debra Winger sleuth through small-town corruption and find a lot of big-time players including a judge and a state attorney.

The most sheerly enjoyable movie has been Pedro Almodovar's *Tie Me Up, Tie Me Down*. Fresh from pushing women to the verge of a nervous breakdown in his last film, Spain's super-stylist of the sex comedy now has a movie star (Victoria Abril) kidnapped and all but raped by a gentle maniac (Antonian Banderas). After alarms, excursions and comic twists, she ends up, yes, falling in love with him.

The film duly outraged feminists, who booed its seeming endorsement of the old chestnut that women fall for aggressive males. But Almodovar is self-aware; the film spoofs itself as it unspools. Only a humourless ideologue could fail to giggle at some of the multicoloured pot shots: at the film industry, at the colour-coordinated madness of post-Franco fashions, at the kind of pop-porno cinema whose sexism Almodovar pillories even as he pastiches it.

So what is left as the festival reaches half time? With America leading by about 4-2 (my count), everyone has staggered over to the tray with fresh orange-quarters and is getting a talking to from the team manager.

Biggest lecture must be coming from the British manager. Unless intent on scoring an own goal, why does the country rely on *Silent Scream* as its main striker? This movie debut by stage director David Hayman, of Scotland's 7:84 company, staggered up and down its chosen playing area – the life of artist-writer-murderer Larry Winters, who killed himself in Barlinnie Prison in 1977 – like a blind man searching for the ball. The kaleidoscopic structure and media-mixing (including animation) fail to illuminate Winters's character, or to clarify the movie's attitude to the penal and social systems it seems to be attacking. We begin in the dark and end in it: honourably excepting a few lightning flashes that break from Iain Glen's brave acting as Winters.

The British have come to Berlin with undeterred ballyhoo, none the less. Erecting a new all-British stand complete with hospitality area, they provide everything a country could be ambassadorially proud of, except good movies. Some year – it will happen, keep the faith – we will get our PR drive co-ordinated with our film drive.

The most moving movies have happened outside the competition altogether. Showing in the Young Film Makers Forum, Berlin's 20 year old alternative programme, are a collection of banned East German films dug up from the mid-1960s. In a brief flowering of illusory liberty after the Wall was built in 1961, film makers like Gerhard Klein and Frank Beyer made films like *Berlin Through Our Eyes* and *Traces of the Stones*. The authorities took one look at the completed, or sometimes uncompleted, films and locked them away. Now – God bless freedom – the films are out.

So is a cluster of newer documentaries clandestinely shot last October, when East Germany was rallying itself to defiance. Thomas Frick's *Ten Days in October*, Thomas Eichberg's *New Beginning Dresden 89* and others pulse with the terror and excitement of a "now or never" popular uprising. We look back today and see the happy ending already written in. But when these films were made, who could have foreseen that either they or their makers would be free four months later? Free to cross the wall; free to show their movies to the world; free to rejoice that nothing in this world – not even Communism – is irreversible.

Chess No. 810:
Draw by 1 ... Kg5 when if 2 Rxg7+? Kf4 and White gets mated, but 2 Re5+! Kg6 (fxe5 3 Rxf2 or Kf4 3 Rf5+ wins) 3 Re7 Kg5 4 Re5+ repeats moves.

SPORT

Cinderella's rags: part of football

Jane Fuller visits a friendly club with unfriendly facilities

IF THE Cinderella fairy tale were played out in front of a crowd of soccer supporters, they would appreciate that Cinderella's rags are a crucial part of the story. At Wimbledon Football Club you can spot the rags as soon as the dingy Plough Lane stadium creeps into sight on the unfashionable side of the railway line, nestling between the unpicturesque River Wandle and a cemetery. Dating back to 1912, 65 years before the club was elected to the Football League, the ground is tiny by Division I standards. The average crowd of little more than 8,000 – dragged down by Wednesday's 3,500, the lowest for a Division I game since the Second World War – is more akin to levels in Division III.

While the fans are friendly – they let little ones through to the front on the terraces – the facilities are not. Even from the relative luxury of the South Stand, the run to the ladies' toilet is an obstacle course: you dodge puddles in an alley, hold your breath, avert your gaze and dash past the Gents before plunging through the smoke- and vapour-filled café. Stewed onions? Lord Justice Taylor was lucky.

According to the club's owner, Lebanese businessman Sam Hammam, Wimbledon loses £1,500 a day – before the buying and selling of players. Chief executive David Barnard fills in the details: to cover the £1.8m annual running costs through gate receipts, a crowd of nearly 24,000 would be needed at every League game. Present gate receipts of £830,000 a year are easily exceeded by wages alone, which cost more than £1m.

Although subsidies from the football authorities and commercial activities help to close the gap, the main balancing factor in the four years since the club entered Division I has been the sale of players.

Not that Bobby Gould, manager since 1987, is set a target; he does not need one because dealing in the transfer market is one of his trademarks. As he says: "The club has not *had* to sell players over the last two years because of the FA Cup and because I have traded well."

Since the famous FA Cup victory over Liverpool in 1988, three players have been sold for more than £½m each. Goalkeeper Dave Beasant, for example, went for more than £1m, while his replacement, Hans Segers, cost a tenth of that. Gould and his scouts hunt for bargains in reserve teams and the lower divisions.

The result is a team that Gould describes as "a Volkswagen rather than a Rolls-Royce." In training, the words you hear him say most often are "forward" and "keep it simple." The players work hard: their 28th week of training since last July was spent honing their will to survive at an army camp.

Despite their under-dog image, the miracle of their rise from non-League to Division I status can be explained. How they continue to survive there on Division III resources is a little more difficult; and their future, which is tied up with leaving Plough Lane, will be an even greater test of the club spirit on which they rely so heavily.

Hammam, whose travels in the construction industry have given him a taste for wholesome US-style stadia, started planning a move to a new venue in 1981 when the club was still yo-yoing between Divisions III and IV. At that stage, the only thing which must have looked more ambitious was the target of reaching Division I by 1988.

They achieved the footballing goal two years in advance by "making two first-class players every year and by not selling them." But the cost of this policy was heavy losses, which he subsidised until the club reached Division I.

He will not put a figure on his contribution to the annual drain; but mention the more than £400,000 deficit recorded for 1985-6, the year the team won promotion to Division I, and his reaction is that the losses were even worse because they do not include ground improvements.

"Our problems started when we reached the First Division. Things started getting nasty. By the end of the second year, when we won the Cup, we were no longer virgins. We had to pay normal salaries." Consequently, pay for the club's 29 professional players now ranges up to £1,200 a week. The Professional Footballers Association says a typical Division I player earns between £800 and £1,500 a week, but admits that a handful get £5,000.

Whereas the Taylor report and the Government have picked out transfer fees as soccer's great extravagance, Hammam says high pay is the main reason for lack of investment at grounds. For Wimbledon, the hike in salaries caused a change of tactics. "We could no longer say that we would never sell players."

Although the exodus of 1987 and 1988 has not been repeated, last year Vinny "Psycho" Jones was sold for £650,000. There is, however, a benign side to the transfer trade for a club like Wimbledon, because it redistributes wealth – something the big clubs have tended to jib at despite the widening of the gap in their favour caused by television coverage.

Indeed, the redistribution can go too far. In 1987-88, Manchester United had a turnover of £7.6m, the highest in the League but, according to the ICC Business Ratio Report, net transfer costs of £2.5m sent losses to more than £1m.

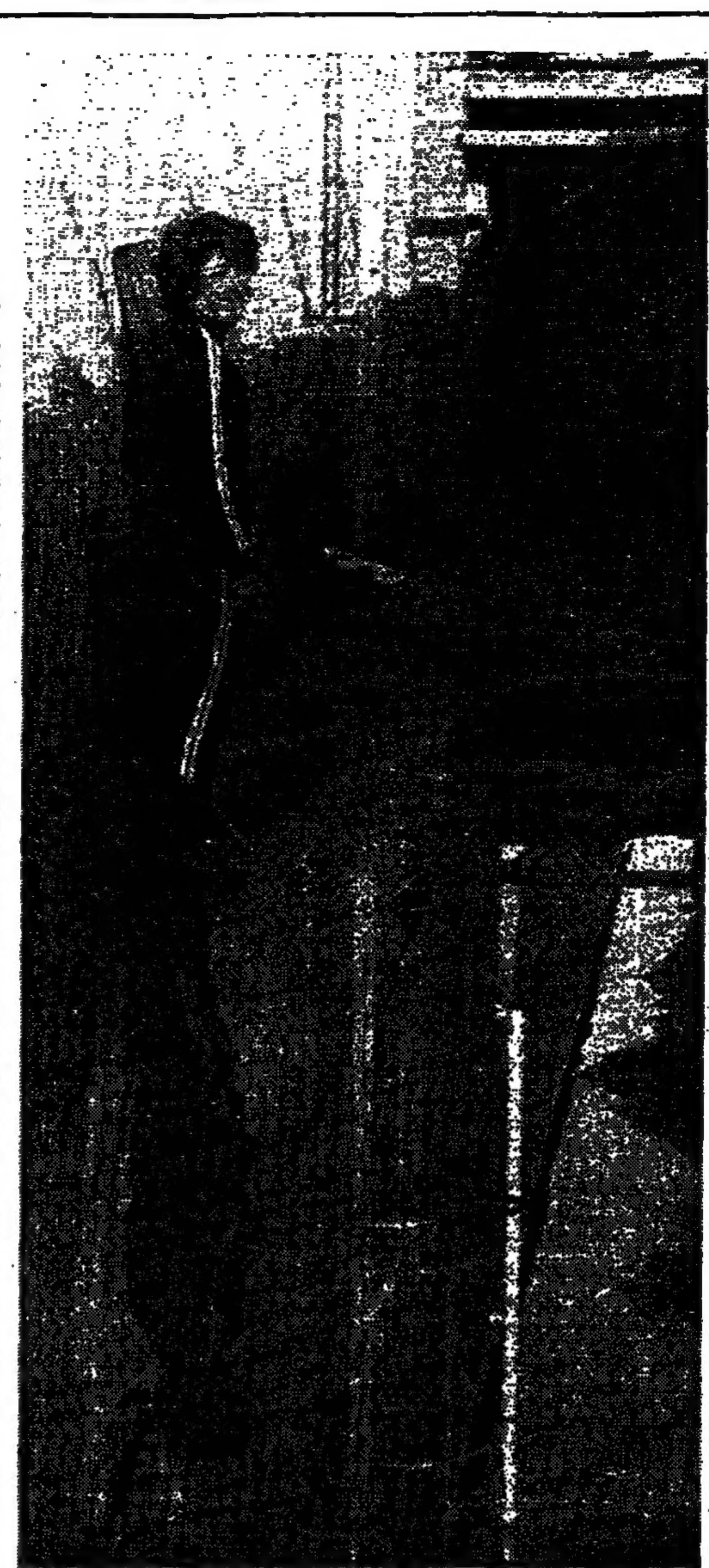
Where does all this leave the Cinderella club? Still at the ball in Division I, financially sound – unlike many of its big sisters – but still in rags at Plough Lane. Its position is precarious. With no sign of salaries falling and with the Taylor report threatening both great expense and reduced gate income, Hammam says the club is "walking on eggs."

His answer, which in some ways chimes with the Taylor analysis, is to sell Plough Lane and move to a new all-seater stadium, perhaps sharing a ground along the way.

Two sites are being considered: one, half-a-mile down the River Wandle (where the original plan for an artificial pitch has been aborted); the other, at Beddington. Although it is not clear to what extent there would be activities other than football, either stadium would be designed to attract families, with parking and comfortable undercover facilities.

Hammam stresses the need to draw in people who do not come to football now, including what he describes as "better supporters" from the wealthy Wimbledon and Surrey areas. It all sounds not only squeaky clean enough to frighten away any self-respecting hooligan, but also anathema to the traditional fan, who would rather leave the wife and kids at home and trudge to join what Lord Justice Taylor called the "amorphous seething crowd."

But Hammam is dismissive of traditionalist arguments: "We must not over-estimate the importance of the present supporters." The size of the risk he is taking is mitigated by the fact that Plough Lane can never be turned into a Division I ground. And, with no governmental magic wand to turn the rags to finery, it may be that the club's lack of Football League tradition will turn out to be as much of an asset as its famous spirit.



Trevor Humphries

FT reporter Jane Fuller: "The run to the ladies' toilet is an obstacle course: you dodge puddles, avert your gaze and dash past the Gents before plunging into the cafe and out the other side. Stewed onions? Lord Justice Taylor was lucky."

Wales hope but England expect

John Kitching previews today's Five Nations rugby matches

NEVER MIND Wales, send for New Zealand: it is only the All Blacks who could beat England in their present mood. Or is it? As always in international rugby, and particularly amid the hype that surrounds the Five Nations championship, you must set England's first two victories in context.

The 23-0 win over Ireland was no less than we should have expected: the Irish were no-hopers. What was alarming was that it took England so long to overwhelm them. And then came the near hysteria of the 26-7 defeat of France: a team which we now know to have been over the hill. You cannot help but feel that the All Blacks would have beaten such a pedestrian, ponderous side by an even bigger margin.

So don't send for the All Blacks just yet. Let us make sure first that England beat Wales at Twickenham today and Scotland in a month's time. Let us see how a re-jigged France fare in Edinburgh today.

This is certainly a very good England side. A few seasons ago, to say that Rob Andrew was the best fly-half in Europe would have been to invite derision. But now he is. He is confident, reads the game superbly and has become the play-maker. The recall of Richard Hill at scrum-half has helped him greatly. Outside Andrew, Will Carling and Jeremy Guscott, with their contrasting styles, could become one of England's great centre pairings.

Without the work of the forwards, however, among whom Paul Ackford, Brian Moore, Peter Winterbottom and Mike Teague have been outstanding, the backs' work would largely have been defensive and Rory Underwood would not have become his country's top try-scorer (and, today, its most-capped three-quarter).

England's confidence has grown with each game, but Wales are their bogey side: no matter how poor a season the principality may be having, something happens to bring out their best against England. Perhaps their best hope today lies in the recall of the excellent Ritchie Collins at flank forward. Collins, together with the inspirational Kevin Phillips at hooker and captain Robert Jones at scrum-half, will be responsible for trying to boost the tempo of the Welsh game.

Disruption of English plans must be a priority: quick tap penalties, box-kicking, fast second and third phase ball. "We have injected more pace into the back row," says coach John Ryan.

The bad news for Ryan is that England have even more pace in theirs. Peter Winterbottom, hewn from the millstone grit of Ilkley Moor, is at the height of his powers. His Harlequin and international partner, the chirpy Geordie Mick Skinner, is not far behind him in skills. And then there is the incomparable Mike Teague. It makes you fear that the 18-stone Phil Davies on Wales's blind side will be run off his feet.

It is still something of a mystery as to why there are only four Neath players in the Welsh fifteen. The club is hugely successful and capable of taking on the best in Europe, so why not field 11 men from Neath plus Robert Jones and Arthur Emyr (Swansea) and Ritchie Collins and Mark Ring (Cardiff) and call them Wales? It might not be attractive rugby, but it might be successful.

England should win handsomely against a demoralised Wales, but they must not make the mistake of under-estimating their opponents.

The French selectors, for the match against Scotland in Edinburgh, have indulged in what is largely a re-arrangement exercise, which means that nine of the side beaten comprehensively by England are retained with four of them playing in new positions.

There are new caps today for Pierre Hontas, a right wing from Biarritz, and Jean Marc Lhermet, a flanker from Montferrand. Perhaps more important are the departees: out go captain Pierre Berbizier, Marc Andrieu, Denis Charvet, Jean-Pierre Garuet, Dominique Erbani and Eric Champ. Surprisingly, Laurent Rodriguez is retained in the back row and is made captain.

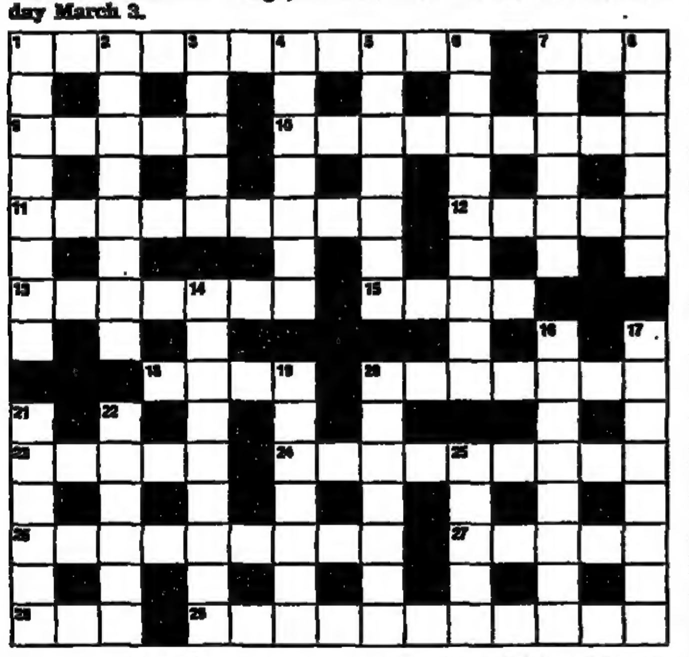
Like the Welsh, the French are always dangerous when down and the Scots must be prepared for a battering forward game. Behind the scrum, I still believe Phillipe Sella to be a force and fullback Serge Blanco is, well, Blanco. If he has a good day, Scotland could be put on the rack.

Scotland's best hope lies in their athletic pack spearheaded by prop forward and captain David Sole, supported by his back row of John Jeffrey, Finlay Calder and Derek White. It could be desperately close at Murrayfield, but I cannot see the French losing.

CROSSWORD

No. 7,167 Set by CINEPHILE

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday February 28, marked Crossword 7,167 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday March 3.



ACROSS

1 Returning artists catch witch (American) in tomb (11)
7, 9 Trouble with the bottle? (3,5)
10 Railwaymen have Italian city on string for bringing up (9)
11 Slip producing very large majority (9)
12 Spare the rod: a bit will make one unconscious (5)
13 British type with new head, a bore to Dr Johnson (4,3)
15, 18 Flattery in silly TV programmes? (4,4)
20 I go wrong with leaf, many of them (7)
23 Companion afflicted with slight illness (5)
24 Parrot cry for abstract science from catholic scholars (9)
26 Parrot's feature for little girl with brains (9)
27, 28 New tune on the open (5,3)
29 Fiddle the electoral map of Germany – briefly ruled red, perhaps (11)

DOWN

1 Spotted leaf of grass with teeth (3,5)
2 In grandiloquent style, duly torn off (8)
3 Dance without top or root (5)
4, 5 Capital punishment has awful dangers, for a wonder (7,7)
6 Word for "quantity of milk for cat"? Furculae's incorrect (9)
7 Henry, as many as we've had, with stature (6)
8 Indian poet, thanks to blood (6)
14 Idly draw insect no. V-1 (9)
16 Mother's on the commercial with her flag flying (8)
17 German politician of Roman clan dear to the French (8)
19, 20 Turn into a tree and come down on a part of Cyprus – it's a common mistake (7,7)
21 Two bills, one on a tree (6)
22 Glass paper? (6)
25 Excellent half of family turns up a bad lot (5)

Solution to Puzzle No.7,166

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RECESSION STAND
I O A N E N L O
PANEL SEESAWING
E S E P D P C L
ROTISSERIE MERE
  R W C N C   T
SEAPORT GALLANT
E I M     E S E
CONTEND SCATTER
T   N R A N R
IRON READASTORY
O F A S I L N I
NATURISTS ADAGE
E E N E T T U L
DANCE DISSENTED
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Solution and winners of
Puzzle No.7,155

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WELLFOUNDED GAG
E O R P E I R R
DOGGO SEMAPHORE
G C T U O H U E
WEATHERED TONIC
O B   G E H D E
ORIFICE DROP
D N N     M C A
   ASPS HAGGARD
P W T P Y   S O
OMEGA AUGMENTOR
I A L R I A I A
NOVELETTE SHRUB
T E E A N E O L
SIR DINNERDANCE
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C.J. Cooper, Great Pulteney St, Bath; B. Liesching, Brussels; J.P Ringe, Pickering, N. Yorks; J. Tiller, Epsom, Surrey; E. Wright, Bisham Gardens, London N6.

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